



FOREIGN  
BROADCAST  
INFORMATION  
SERVICE

# *Daily Report*

# China

FBIS-CHI-84-041  
Wednesday  
2 March 1984

# Daily Report

## China

FBIS-CHI-94-041

### CONTENTS

2 March 1994

**NOTICE TO READERS:** An \* indicates material not disseminated in electronic form.

#### INTERNATIONAL AFFAIRS

##### General

Jiang Zemin Meets Morgan International Council Members	[XINHUA]	1
Li Notes Need For 'Contingent of Advanced Professionals'	[XINHUA]	1
Li Peng Meets With Incoming, Outgoing Envoys	[XINHUA]	1
Report Views President Clinton, UK's John Major Talks	[XINHUA]	2
XINHUA Reports Russia Arrests Alleged UK Spy		2
Russia Arrests 'War Industry' Official Spying for UK	[XINHUA]	2
Bosnian Croats, Muslims Reach Accord at Washington Meeting	[XINHUA]	3
Bosnian Serbs Agree To Lift Tuzla Airport Blockade	[XINHUA]	3

##### United States & Canada

Zou Jiahua, Li Tieying Meet With U.S. Commerce Secretary	[XINHUA]	3
U.S. Commerce Secretary Ends Visit	[XINHUA]	4
Vice Premier Zou Jiahua Meets U.S. Businessmen	[XINHUA]	4
U.S. Investment Bank Opens Office in Beijing	[XINHUA]	4
CHINA FINANCIAL WEEKLY Published in New York City	[XINHUA]	5
Radio Reports 'Serious Spy Incident' Involving CIA Official	[Beijing International]	5
XINHUA Alleges U.S. Attempts To Boost Arms Sales		6

##### Central Eurasia

Kremlin Criticizes Opposition Leaders' Upcoming Release	[XINHUA]	6
Khasbulatov, Rutskoy Freed	[XINHUA]	6
XINHUA Says Russia To Cut Forces, Keep Bases in CIS		7
Russia To Set Up Military Bases in CIS States	[XINHUA]	7
Belarusian Delegation To Visit 1-10 Mar	[XINHUA]	7

##### Northeast Asia

Tokyo Calls For Beijing Military 'Transparency'	[Tokyo KYODO]	7
Zhu Rongji Arrives in Fukuoka, Japan	[XINHUA]	8
Japan International Foundation Opens Beijing Office	[XINHUA]	8
Deng Reportedly Urges Officials To Support DPRK Reform	[Tokyo KYODO]	8
Columnist Views Nuclear Inspections in DPRK	[Hong Kong TA KUNG PAO 2 Mar]	9
XINHUA Says DPRK Agrees To Hold Inter-Korean Talks	3 Mar	9
XINHUA Reports IAEA Inspectors' Arrival in Pyongyang		10

##### Near East & South Asia

Zheng Bijian Meets Indian Communist Party Leader	[XINHUA]	10
General Liu Huaqing Meets Pakistan Army Chief	[XINHUA]	10
Qian Qichen Meets With Sri Lankan President	[XINHUA]	10
Qian Tells Sri Lankan Journalists About Post-Cold War Order	[XINHUA]	11
Qian Qichen Arrives in Maldives Capital	2 Mar	11
Qian Meets Counterpart	[XINHUA]	11

## NATIONAL AFFAIRS

### Political & Social

Reportage on NPC Standing Committee Meeting .....	13
Opens in Beijing [XINHUA] .....	13
XINHUA Highlights Preparations .....	13
Li Peng Submits Draft Labor Law [XINHUA] .....	14
Nine People's Deputies Elected [XINHUA] .....	15
Further on Election [XINHUA] .....	15
To Discuss Xiamen Legislative Rights [XINHUA] .....	15
CPPCC Standing Committee Holds Plenary Session 2 Mar [XINHUA] .....	16
CPPCC Ousts Two Standing Committee Members [ZHONGGUO XINWEN SHE] .....	16
Beijing To Make Laws To Protect Rights of Working People [XINHUA] .....	17
Beijing Unlikely To Approve Red Cross Prison Visits [Tokyo KYODO] .....	17
Scholars Urge End to Corruption, Part 1 [Hong Kong LIEN HO PAO 21 Feb] .....	18
Scholars Urge End to Corruption, Part 2 [Hong Kong LIEN HO PAO 22 Feb] .....	23
Scholars Urge End to Corruption, Part 3 [Hong Kong LIEN HO PAO 23 Feb] .....	27
Journal Exposes Shenzhen Pirate Disc Factory [Hong Kong YI CHOU KAN 25 Feb] .....	30
'Society of Yellow River Culture and Economy' Founded [XINHUA] .....	34
Crime and Punishment in the PRC for 15-28 Feb [AFP, etc] .....	34

### Economic & Agricultural

Trade, Production Statistics Issued for 1993 .....	39
Trade Sees 'Rapid Growth' [XINHUA] .....	39
Export Figures to EFTA Countries [CEI Database] .....	39
Exports To Non-EFTA, EEC Countries [CEI Database] .....	39
Export Figures To Latin America [CEI Database] .....	40
Domestic Development Progress Noted [XINHUA] .....	40
Domestic Market Figures [XINHUA] .....	41
Industrial Production Figures [XINHUA] .....	41
Private Firm Expansion [XINHUA] .....	42
Agricultural Production, Forestry Figures [XINHUA] .....	42
Mineral Exploration Noted [CHINA DAILY (BUSINESS WEEKLY) 27 Feb-5 Mar] .....	43
Foreign Exchange Markets To Link Up in March [ZHONGGUO TONGXUN SHE] .....	43
Statistics Official Views Economic Situation [Beijing TV] .....	44
Modern Enterprise System To Improve State-Owned Assets [XINHUA] .....	45
Mining Industry Council Urges Development of Minerals [XINHUA] .....	46
XINHUA Correction to State Council's Special Agricultural Product Tax Rules .....	46

## REGIONAL AFFAIRS

### East Region

Anhui Governor Extends Spring Festival Greetings [ANHUI RIBAO 9 Feb] .....	47
Anhui's Tourism Industry Developing at 'High Speed' [XINHUA] .....	47
Shanghai Sets Up Industrial Park for Returned Students [XINHUA] .....	48
Shanghai To Increase Vegetable Growing Areas [XINHUA] .....	48

### North Region

Tianjin Secretary Delivers Speech at CPC Plenum [TIANJIN RIBAO 6 Jan] .....	48
---	----

## TAIWAN

Negotiators Continue Talks on Intellectual Property Rights [CNA] .....	60
Discuss Patent, Trademark Protection [CNA] .....	60
U.S. Accused of IPR Infringements [CNA] .....	60
Minister Says Taipei Will Work To Forge More Diplomatic Ties [CNA] .....	60
GATT Membership Impacts Negatively on Agriculture [Taipei Radio] .....	61

Lien Chan Comments on 'Federation or Confederation' [Taipei Radio] .....	61
Majority of Taipei's Foreign Investment Goes to PRC [CNA] .....	62
Official Comments on U.S. Conservation Officials' Visit [CNA] .....	63
Police Confiscate 159 Kg of Heroin in Record Seizure [CNA] .....	63

## HONG KONG & MACAO

### Hong Kong

Lu Ping Criticizes Britain's 'Lack of Sincerity' in Talks [Hong Kong WEN WEI PO 2 Mar] .....	64
Commentary Reiterates PRC To Dismantle Last Government [ZHONGGUO TONGXUN SHE] .....	64
XINHUA Deputy Director Says UK Blocks Cooperation [Hong Kong WEN WEI PO 28 Feb] .....	65
Patten Resists Calls To Issue 'Unabridged Version' of Talks [Hong Kong HONGKONG STANDARD 2 Mar] .....	66
Article Warns Against Government Spending Plans [ZHONGGUO TONGXUN SHE] .....	67
XINHUA Official Discusses Setting Up 'Another Kitchen' [Hong Kong HSIN PAO 25 Feb] .....	68
Airport Negotiations 'Unlikely' for 'Four Weeks' [Hong Kong HONGKONG STANDARD 1 Mar] .....	68
Working Group Approves Loss of Right of Abode After 1997 [Hong Kong HONGKONG STANDARD 1 Mar] .....	69
PWC Suggests Early Election of SAR Chief Executive [Hong Kong HONGKONG STANDARD 26 Feb] .....	69
PWC 'Unhappy' With Government's Airport Financing Proposal [Hong Kong SOUTH CHINA MORNING POST 28 Feb] .....	70
Bugging Devices Detected in Offices of United Democrats [Hong Kong SUNDAY HONGKONG STANDARD 27 Feb] .....	70
Hong Kong Political Affairs Group Meets in Beijing [XINHUA] .....	71
PRC Officials Begin Toning Down Response to Patten Reforms [Hong Kong EASTERN EXPRESS 26-27 Feb] .....	71
XINHUA To Reveal Names of Regional Affairs Advisers [Hong Kong TA KUNG PAO 18 Feb] ..	72
Editorial Urges Britain To Stop 'Stalling' on Airport [Hong Kong WEN WEI PO 14 Feb] .....	73
Editorial Hails Revelation of 'Truth' of Talks [Hong Kong TA KUNG PAO 1 Mar] .....	74
Correction to Editorial Denounces 'Fraud'	75

## General

### Jiang Zemin Meets Morgan International Council Members

OW2802144994 Beijing XINHUA in English  
1243 GMT 28 Feb 94

[Text] Beijing, February 28 (XINHUA)—Chinese President Jiang Zemin met with George Shultz, chairman of the International Council of J.P. Morgan & Co. Incorporated, and other council members here this afternoon.

Shultz and other council members, including former British Foreign Secretary Geoffrey Howe, as well as the company's chairman Dennis Weatherstone, have been here to attend the 40th session of the council held in Beijing on February 27 and 28.

Jiang had a cordial conversation with them.

J.P. Morgan, the only financial company with 3-AAA in the United States, has conducted some fruitful cooperation with China in recent years, sources said.

Jiang expressed appreciation of the active role Morgan has played in China's economic development, and voiced the hope that it would continuously enhance cooperation with its Chinese partners.

Chinese Minister of Finance Liu Zhongli participated in the meeting.

### Li Notes Need For 'Contingent of Advanced Professionals'

OW0103142694 Beijing XINHUA in English  
1320 GMT 1 Mar 94

[Text] Beijing, March 1 (XINHUA)—Chinese Vice-Premier Li Lanqing said here today that China's reform requires a contingent of advanced professionals.

Li said this in a meeting with some foreign entrepreneurs at Zhongnanhai, seat of the Chinese Communist Party's Central Committee and the State Council.

He noted that the trend of China's reform, which cannot be reversed, is correct, adding that the gate of China can only be more and more open.

To accelerate China's reform, he said, the key point is to speed up the training of specialists.

Li met respectively council members of the international council of J.P. Morgan & Co. Incorporated, John Hunter, president of the Coca Cola Company International sector, Chung Se-yong, chairman of Hyundai Business Group, Robert Hormats, vice-chairman of Goldman Sachs, and Lord Griffiths of Fforestfach.

Li told the visitors, who attended the 40th session of the J.P. Morgan Council held here from February 27-28,

that China requires more advanced specialists having a good command both of modern business management and specialized knowledge.

The vice-premier indicated that China is willing to strengthen international cooperation in the field of personnel training through various channels.

George Shultz, chairman of the Morgan International Council, Lee Kuan Yew, member of the council and senior minister of Singapore, and former British foreign secretary Sir Geoffrey Howe, took part in the meeting.

When meeting with Hunter, Li said that China's market for beverages has a great potential, hoping that the Coca Cola Company would further its cooperation with the Chinese beverage industry through China National Light Industry Council, and develop new drinks by using Chinese resources.

As the largest international beverage company, Coca-Cola has set up 12 bottling factories with a total investment of some 70 million U.S. dollars, since the first factory of the kind was built in Beijing in 1981.

Hunter said that the purpose of his current visit is to promote the cooperation between his company and the beverage industry of China.

### Li Peng Meets With Incoming, Outgoing Envoys

OW0103134494 Beijing XINHUA in English  
1210 GMT 1 Mar 94

[Text] Beijing, March 1 (XINHUA)—Chinese Premier Li Peng reiterated here today that China is willing to develop cooperative ties of friendship with all other countries, based on the five principles of peaceful co-existence.

"We are willing to know more about the rest of the world," Li said, while expressing the hope that the rest of the world would learn more about China.

The Chinese premier made the remarks in a meeting with eight newly-arrived and outgoing foreign ambassadors here this afternoon.

The new ambassadors are: Azerbaijani Ambassador Tamerlan Karayev, Spanish Ambassador Juan Lena, French Ambassador Francois Plaisant, Brazilian Ambassador de Medicis, Cote d'Ivoire Ambassador Anoh Koffi Patrice and Iranian Ambassador Seyyed Hoseyn Mir Fakhr.

The outgoing ambassadors are: Papua New Guinea Ambassador Larry Hulo and Pierre Duchateau, head of the delegation of the European Community (EC) commission.

Li thanked the two outgoing ambassadors for their efforts to promote the development of China's ties with their respective countries and communities. Li assured

the new ambassadors that the Chinese Government would provide them with as much convenience as possible.

He voiced the hope that China will conduct more extensive cooperation with the seven countries and the EC.

Touching upon the current domestic situation, Li assured the ambassadors that the country's economy would be developed in a sustained, rapid and healthy way.

#### **Report Views President Clinton, UK's John Major Talks**

*OW0103185794 Beijing XINHUA in English  
1832 GMT 1 Mar 94*

[Text] Washington, March 1 (XINHUA)—U.S. President Bill Clinton and British Prime Minister John Major agreed today to send a joint civil planning mission to Sarajevo to help revive the Bosnian capital's water and power supplies and other facilities.

At a joint press conference at the White House, they said the two sides were committed to continuing to work for a resolution of the 22-month ethnic war in the former Yugoslav republic.

Besides Bosnia, Clinton and Major also discussed the issues concerning Russia, world trade, Northern Ireland and Hong Kong.

They agreed to bring forward to January 1, 1995, the start date for implementation of the GATT (General Agreement on Tariffs and Trade) agreement.

"We'll need to consult with other people to see if that's practicable," Major said.

On Japan, they agreed to pressure Tokyo to further open its markets to U.S. and European goods and services.

Northern Ireland had been a sticking point in U.S.-British relations, the latest incident being Washington's issuance of visa to leader of the Irish Republican Army's political wing, a move angered London.

Major, however, stressed today he would rather look forward and see how "we produce a solution to the Northern Ireland problem."

"I'm not interested in looking back," Major said.

For his part, Clinton criticized as a great mistake to "overstate the occasional disagreement and underestimate the incredible depth and breadth of our shared interest and our shared values."

The two leaders also discussed the Middle East peace process and developments in South Africa.

#### **XINHUA Reports Russia Arrests Alleged UK Spy**

*OW0103173694 Beijing XINHUA in English  
1639 GMT 1 Mar 94*

[Text] Moscow, March 1 (XINHUA)—The Russian counter intelligence service said today that it had arrested a Russian official working in a military-industrial complex, charging him with spying for the British secret service.

It said the spy was arrested on January 15 and faced criminal charges 10 days later, without specifying his name.

The charged spy sold information on the latest Russian research in new armaments and their technical characteristics, the financing of military research and development and the state and prospects of Russian military cooperation with foreign countries, according to the service.

"On orders of British special services and for monetary remuneration, the Russian citizen collected and passed classified information of military and economic character," the service pointed out.

According to the preliminary investigation, the Russian official received instructions on using hiding-places for supplying information to the British Embassy in Moscow.

#### **Russia Arrests 'War Industry' Official Spying for UK**

*OW0203020294 Beijing XINHUA in English  
0143 GMT 2 Mar 94*

[Text] Moscow, March 1 (XINHUA)—Russia's counter-intelligence agency today declared that it has arrested a top official of the country's war industry spying for Britain.

The official, whose name is not made public, was arrested on January 15 on a charge of treason. Criminal proceedings against him began 10 days later.

He was found providing the British intelligence agency with military and economic information, which covered Russia's latest developed arms, the amount of money for research in the country's defense and cooperation with other countries in military technology.

The official has reportedly confessed all the crimes he had committed.

The exposure of the case came after Russia's expulsion Monday [28 February] of a U.S. diplomat accused of being involved in spying activities.

Earlier last month, the United States lodged a protest with Russia over an espionage case involving a top U.S. intelligence official and his wife, who had spied for Russia and the former Soviet Union for about nine years.

**Bosnian Croats, Muslims Reach Accord at Washington Meeting**

*OW0203024294 Beijing XINHUA in English  
0215 GMT 2 Mar 94*

[Text] Washington, March 1 (XINHUA)—Bosnian Muslims and Croats reached a preliminary agreement here today on establishing a Muslim-Croat federation that would eventually include the Serbs to turn Bosnia into a two-republic country.

Secretary of State Warren Christopher of the United States, which brokered the talks, said the agreement "shows that peace is possible."

The agreement was signed at the U.S. State Department by Bosnian Prime Minister Haris Silajdzic, Croatian Republic's Foreign Minister Mate Granic and Bosnian Croat Leader Kresimir Zubak.

Under the agreement, the federation would be made up of cantons where the majority of residents are either Muslim or Croat and both groups would have equal rights.

The federation, which according to the U.S. initiative would eventually combine with a Serb republic, would have a central government taking care of foreign affairs, commerce and overall defense.

And the cantons would be responsible for local police, education, culture, housing, public facilities and radio and television.

The federation's legislature would include two chambers, and lawmakers would elect the president and vice president. The Croats and Muslims would alternate yearly in holding the two positions.

**Bosnian Serbs Agree To Lift Tuzla Airport Blockade**

*OW0203044794 Beijing XINHUA in English  
0425 GMT 2 Mar 94*

[Text] Belgrade, March 1 (XINHUA)—Bosnian Serb leader Rodovan Karadzic today agreed in Moscow to lift the blockade of Tuzla airport to allow in UN humanitarian relief operations, but demanded Russian supervision for fear that it would be used for shipping arms to Muslims.

Russian Foreign Minister Andrey Kozyrev agreed to the demand during the talks with Karadzic, who is visiting the Russian capital. Kozyrev also promised that the first aircraft arriving at Tuzla airport would be a Russian one, reports reaching here said.

Also today, Yasushi Akashi, the UN special envoy in former Yugoslavia, inspected Tuzla airport to observe its preparations for receiving relief supplies.

However, Bosnian Muslims have expressed opposition to the presence of Russian military observers in Tuzla airport, claiming it would be "an insult to the United Nations."

They also opposed Russian intervention in the Bosnian issue, saying that by backing the Serbs Russia had abandoned neutrality.

Meanwhile in Zagreb, a top official of the UN peace-keeping forces in Bosnia praised the Russian-Serb accord describing it as another Russian diplomatic success in the international efforts to bring peace to Bosnia.

Last month, Russia succeeded in persuading the Serbs into withdrawing heavy guns from around Sarajevo before a deadline set by the North Atlantic Treaty Organization left them open to air strikes, thus defusing the Sarajevo crisis.

Western countries have expressed a similar desire to use the tactics at Sarajevo to solve the Tuzla airport impasse, the biggest military airport in the former Yugoslavia under Muslim control.

The airport was closed down at the beginning of May, 1992 due to a Serbs blockade aimed at preventing the use of the airport for shipping arms to Muslims in the nearby town of Tuzla.

Last year, the United Nations declared Tuzla a security region and has repeatedly called for the opening of the airport to help them supply relief goods to the inhabitants of the Serb-besieged city.

After the Sarajevo crisis was over, the Tuzla airport issue was put on the agenda again. On February 25, Akashi secured Serbian support for the opening of the airport.

**United States & Canada**

**Zou Jiahua, Li Tieying Meet With U.S. Commerce Secretary**

*OW0103142194 Beijing XINHUA in English  
1300 GMT 1 Mar 94*

[Text] Beijing, March 1 (XINHUA)—Chinese Vice-Premier Zou Jiahua met here this morning with visiting Deputy Secretary of Commerce of the United States Jeffrey E. Garten, and they exchanged views on issues of common concern.

This afternoon, Chinese State Councillor and Minister in Charge of the State Commission for Restructuring the Economy Li Tieying also met with Garten and his party.

Li briefed the U.S. guests on China's reform and opening and building of a socialist market economy, and answered questions put forward by the guests.

Prior to the meeting this afternoon, China's Minister of Foreign Trade and Economic Cooperation (MOFTEC) Wu Yi met with Garten.

She said that China, which enjoys a good investment environment and a vast market potential, welcomes U.S. business people to invest here.

She hoped that, through joint efforts, Sino-U.S. economic and trade relations will be further promoted.

The eight-member U.S. delegation arrived here February 26 at the invitation of MOFTEC.

#### **U.S. Commerce Secretary Ends Visit**

*OW0203072494 Beijing XINHUA in English  
0652 GMT 2 Mar 94*

[**"U.S. Keen for More Trade, Co-Operation With China"**—XINHUA Headline]

[Text] Beijing, March 2 (XINHUA)—The United States "would very much like to have more trade with China", said Jeffrey E. Garten, visiting deputy U.S. Secretary of Commerce, here this morning at a press conference upon conclusion of his Beijing visit.

Garten, together with a delegation of officials from the U.S. Department of Commerce and State Department, came to Beijing as a part of his Asian trip aimed at boosting U.S. export-promotion efforts to the "big emerging markets", including China and Indonesia.

Garten said he had discussed current trade issues with officials of the Chinese Ministry of Foreign Trade and Economic Co-Operation (MOFTEC).

"The talks have been cordial, business-like and productive," he said. The United States and China have agreed on the agenda for the upcoming meeting of the bilateral Joint Committee of Commerce and Trade (JCCT) in mid-April in Washington.

"We would like to turn it into a major form of co-operation with China," Garten said.

He noted that during the meeting both sides will talk about trade and investment; individual industries, including information, energy, environmental technologies and chemicals; and economic reforms.

He said that exchanges of opinions on each other's economic reforms will enhance mutual understandings of differences.

Garten said one of the purposes of his present trip was to demonstrate the increasing U.S. commitment to Asia. And no matter what happens, he added, the U.S. and China, two of the world's major economies, will continue to engage in the global economy.

#### **Vice Premier Zou Jiahua Meets U.S. Businessmen**

*OW0103035794 Beijing XINHUA in English  
0308 GMT 1 Mar 94*

[Text] Beijing, March 1 (XINHUA)—Chinese Vice-Premier Zou Jiahua met with Lawrence Bossidy, chairman and chief executive officer of the U.S. based Allied Signal Inc, and his party here this morning.

Bossidy and his party came to China as guests of the China International Trust and Investment Corporation. They have been here to acquaint themselves with China's situation and seek business opportunities in the country.

#### **U.S. Investment Bank Opens Office in Beijing**

*OW2802144894 Beijing XINHUA in English  
1359 GMT 28 Feb 94*

[Text] Beijing, February 28 (XINHUA)—Goldman Sachs, a U.S. international investment bank, opened an office in Beijing today.

It is the firm's first office in China, and the 63rd overseas investment bank in Beijing.

Set up in 1869, the firm is a New York-based private partnership and it is a leading, full-service international investment banking and securities firm.

Goldman Sachs has 148 partners and about 8,200 employees located in offices in 30 major cities worldwide.

Henry Paulson, a partner of Goldman and member of the firm's management committee, said that one of the focuses of the business is on Asia.

He said that the reason why his firm invested great sums in China was its belief that China's economy and its financial market will be one of the important parts of the global economy.

Peter Wheeler, the firm's Beijing chief representative, said that in 1993, Goldman Sachs acted as lead or co-lead manager in 11 bond issues for Chinese companies, totalling 2 billion U.S. dollars in Europe, the United States and Asia.

Early this year, the firm was a co-lead manager for China's global bond offering of 1 billion U.S. dollars.

With the improvement of the investment environment in China, more overseas banks have entered China's market.

Now about 100 overseas banks from more than 20 countries have set up branches or offices in China.

**CHINA FINANCIAL WEEKLY Published in New York City**

*OW0103161194 Beijing XINHUA in English  
1037 GMT 1 Mar 94*

[Text] Beijing, March 1 (XINHUA)—A trial issue of the CHINA FINANCIAL WEEKLY was issued today on Wall Street in the United States.

The China Economic Information Service from China will provide the information and the Global Alliance, Inc. of the United States will edit, publish and distribute the weekly.

The weekly is designed to help overseas banking and industrial concerns follow the latest phenomena and future development trends in China's banking industry, bonds, stocks, real estate and futures, promote cooperation of Sino-foreign banking industries, and encourage and stimulate overseas companies and persons to invest in China.

A consultative committee has been set up for the weekly. It includes John McGuigan, chairman of Baker & McKenzie, the world's largest law firm, Merton Miller, Nobel laureate in economics, Liu Hongru, president of China's State Securities Supervision Committee, Chen Yuan, vice-president of the People's Bank of China, and Li Yining, professor at Beijing University.

China now has the fastest growing GNP [gross national product] in the world. Its huge market has attracted attention from foreign investors over the years.

China is endeavoring to become one of the economic, banking and trade centers in the Far East, an effort which makes the weekly necessary.

**Radio Reports 'Serious Spy Incident' Involving CIA Official**

*SK2802131194 Beijing China Radio International in Korean 1130 GMT 24 Feb 94*

[Commentary: "The Incident of Double-Faced Spy Struck the United States"]

[Text] On 22 February, the U.S. Department of Justice announced that the FBI, after conducting an investigation for two years, had detected a serious spy incident and arrested a high-level official of the CIA and his wife who have been involved in espionage activities for the former Soviet Union and Russia for a long time.

Aldrich Ames, 52, who was in charge of Russian affairs in the antiespionage organization of the CIA, and his wife, 41, have been prosecuted for committing espionage activities.

On 21 February, the FBI arrested Ames on his way to the office and his wife at home. Ames was employed by the CIA for 31 years. He engaged in espionage activities for the former Soviet Union and Russia for a long time.

This high-ranking U.S. intelligence official was revealed to be a double spy who sold out U.S. secrets to the former Soviet Union, and after it was dissolved, to Russia from 1985.

Maria, Ames' wife who was studying at a college until she was arrested, was born in Colombia and worked as an agent for the CIA until she moved to the United States.

The U.S. Department of Justice noted that this is one of the largest spy incidents in history, and the volume and sensitivity of intelligence gathered by this spy couple are very rare.

U.S. social circles were surprised by the announcement of the Ames spy incident. President Clinton stated that this is a very serious incident and that the United States will immediately lodge a protest with the Russian Government.

According to Justice Department officials, the FBI began investigation of Ames based on material from an intelligence official of the State Security Bureau of the former Soviet Union who defected to the United States two years ago.

The FBI tapped a telephone, collected typewriter ribbons used by the Ames, examined trash and copying materials they threw away and documents saved in their computers. The FBI also conducted investigation of their income and expenditures. As a result, the FBI finally obtained sufficient evidence and indicted the Ames couple on suspicion of espionage activities. The FBI then arrested them and is now investigating the case.

According to the document of indictment, which consisted of 39 pages filed, the FBI has seized a large number of material proving that Ames engaged in spy activities.

The FBI announced that over the past 10 years, the Ames couple offered top secret material to the former Soviet Union and Russia pertaining to activities of intelligence officials and agents of the former Soviet Union and Russia who cooperated with the United States and the CIA. They received at least \$1.5 million in return.

The revelation of the spy incident involving the Ames couple gravely embarrassed the Clinton government. The press report noted that Clinton has already offered \$4.1 billion in assistance to Moscow in order to help Yeltsin establish democratic systems and push ahead with economic reform. Nevertheless, Russian spies are still maneuvering to steal secret intelligence from the United States and even skillfully infiltrated the CIA. The press urged Washington to reexamine relations with Moscow.

**XINHUA Alleges U.S. Attempts To Boost Arms Sales**

*OW2802212894 Beijing XINHUA in English  
1908 GMT 28 Feb 94*

[Text] Washington, February 28 (XINHUA)—The U.S. Administration spent an estimated 575,000 U.S. dollars last week to help American military industry promote its products at a major air show in Singapore, it was reported here today.

The Defense Department sent 75 U.S. military personnel and 20 top-of-the-line fighters, bombers and other military aircraft to Asian Aerospace '94, a five-day international aircraft exhibition that ended yesterday, according to THE WASHINGTON POST.

The aircraft the Pentagon dispatched to Singapore included the three F/A-18s, an Air Force F-15C strike plane and four U.S. Army helicopters, totalling 13 types of fighter planes.

The industry officials consider the strong U.S. military presence at the Singapore exhibition as a major boost to their [as received] sales efforts in Asian arms market.

An official from the industry described the participation of U.S. flight crews as an invaluable promotional tool because it showed to foreign governments that in buying U.S. aircraft they also were engaging in a relationship with the United States military.

The U.S. participation in the exhibition is a sign that Clinton government may reverse previous administration practice of tighter controls on U.S. weapons exports, the newspaper said.

U.S. arms control officials said the Clinton administration wants to boost American arms exports to make up for declining production at home.

The result is that the Clinton administration is undermining its own efforts to curb weapons exports, the U.S. Arms Control Association said in a statement.

"In publicly reversing its own policy, the administration sends the wrong signal to other suppliers and undercuts the prospects for controlling weapons proliferation," the association said.

"This is another indication that the administration is giving a higher priority to economic concerns than security concerns," it added.

THE WASHINGTON POST pointed out that the United States already sells more weapons abroad than any other nations.

U.S. defense firms secured 32.4 billion dollars in overseas sales agreements during fiscal 1993, according to figures compiled by arms control groups.

U.S. arms exports in 1992 accounted for nearly half of all arms sales worldwide by all countries combined, the newspaper said.

**Central Eurasia****Kremlin Criticizes Opposition Leaders' Upcoming Release**

*OW2702010894 Beijing XINHUA in English  
0038 GMT 27 Feb 94*

[Text] Moscow, February 26 (XINHUA)—Russian Presidential Spokesman Vyacheslav Kostikov today described as a "blasphemous deed" the release of opposition leaders including former Speaker Ruslan Khasbulatov and former Vice President Aleksandr Rutskoy from prison.

The spokesman stressed in a statement, as the first official reaction from the presidential side, that "the State Duma (the lower house of the parliament) becomes a participant in lawlessness."

"The responsibility for this act of moral violence fully rests on the State Duma, primarily the parties that initiated and supported the blasphemous deed for the first time in the history of world parliamentarianism," Kostikov said.

Khasbulatov and Rutskoy as well as four other opposition leaders, who were arrested in the bloody attack on the parliament building, or White House, in early October last year, left Moscow's Lefortovo Prison Saturday afternoon, in accordance with an amnesty decision adopted by the State Duma last Wednesday.

The presidential spokesman said that "it is an outrage upon justice and a rejection of public opinion and the opinion of the president elected by popular vote."

"Haste and insistence with which the State Duma worked to achieve the immediate implementation of its resolution, and actually to conceal the evil done to Russia, testify to its encouragement of political extremism instead of striving for civil peace and accord," he added.

Kostikov stressed that "the Russian president reserves the right to act in accordance with his constitutional powers in the illegal situation which has shaped up."

**Khasbulatov, Rutskoy Freed**

*OW0203012194 Beijing XINHUA in English  
0030 GMT 2 Mar 94*

[Text] Moscow, March 1 (XINHUA)—The trial of August 19, 1991 event leaders was declared over today, following the release of the opposition leaders arrested in the October bloodshed in Moscow in 1993.

On the basis of the amnesty decision adopted by the State Duma (lower house of parliament), the court ruled

to drop criminal proceedings against former top Soviet officials who were involved in the August 19, 1991 event, which has been called an "abortive Soviet coup" by Russian authorities.

The amnesty covers the organizers of the August 19 event of 1991 and the May Day demonstration of 1993, and opposition leaders arrested in the tank attack on the parliament building in Moscow last October.

Among the freed were former Russian parliament speaker Ruslan Khasbulatov and former Vice-President Aleksandr Rutskoy.

#### XINHUA Says Russia To Cut Forces, Keep Bases in CIS

OW2802211394 Beijing XINHUA in English  
1953 GMT 28 Feb 94

[Text] Moscow, February 28 (XINHUA)—Russia plans to cut its armed forces but keep dozens of military bases in other former Soviet republics, Colonel General Mikhail Kolesnikov, chief of staff of Russian armed forces, said today.

In an interview with the ITAR-TASS news agency, Kolesnikov stressed, "all kinds of the Russian armed forces without exception will be reorganized in the near future for the purpose of the reduction of the Army."

However, he continued, so far the Defense Ministry is not prepared "to switch over to a different structural system," he believed that any reorganization inevitably entails the destruction of the command system which cannot be allowed.

The colonel-general also said Russia plans to have about thirty military bases in other former Soviet republics, some of the bases would be created from the existing Russian divisions deployed in some of the CIS (Commonwealth of Independent States) republics, such as the 201th Division in Tajikistan.

In other places, as for instance in Azerbaijan, the base would be created around anti-missile warning systems, Kolesnikov said.

He said Russia plans no military bases in Ukraine, where the Black Sea Fleet will have its special status, he did not exclude that Russia's 14th Army in Moldova's break-away Dniester region will also be reorganized into a military base, but added that it well could be pulled out.

According to the chief of General Staff, almost all the republics of the former Soviet Union have themselves expressed willingness to have Russian military bases on their territory.

The three Baltic states are an exception, the colonel-general pointed out.

#### Russia To Set Up Military Bases in CIS States

OW0103162394 Beijing XINHUA in English  
1038 GMT 1 Mar 94

[Text] Moscow, March 1 (XINHUA)—Russia will establish 30 military bases in all the members of the Commonwealth of Independent States (CIS) except Ukraine, the chief of staff of the Russian armed forces, Mikhail Kolesnikov, said today.

The INTERFAX news service quoted Kolesnikov as saying that the military bases will be set up on the sites inherited from the former Soviet troops.

Russia will sign relevant agreements with the countries concerned so as to legalize the process of establishing those bases.

Armenia has already signed such an agreement with Russia.

Some CIS countries called for the withdrawal of Russian troops following the break-up of the Soviet Union. But due to difficulties in establishing their own army, these countries have changed their mind in order to have an army to maintain order and security.

Russian President Boris Yeltsin announced for the first time Russia's desire to establish military bases in CIS countries when he was visiting Georgia in January.

CIS defense ministers also held a meeting in late February in Moscow on military cooperations.

#### Belarusian Delegation To Visit 1-10 Mar

OW2802040894 Beijing XINHUA in English  
0241 GMT 28 Feb 94

[Text] Beijing, February 28 (XINHUA)—A delegation of the Parliament of the Republic of Belarus will pay an official goodwill visit to China from March 1 to 10 at the invitation of the Standing Committee of the National People's Congress.

#### Northeast Asia

##### Tokyo Calls For Beijing Military 'Transparency'

OW0103143794 Tokyo KYODO in English 1419 GMT  
1 Mar 94

[Text] Beijing, March 1 KYODO—Japan called Tuesday [1 March] for greater openness or "transparency" by China concerning military matters at a bilateral security meeting in Beijing, a Japanese official said.

Military officials from the two countries met for the first time to exchange views on defense policies of the two countries as well as the military situation in the Asia-Pacific region, said Ken Sato, a defense councilor of Japan's Defense Agency.

Zhan Maohai, deputy director of China's Ministry of National Defense Foreign Affairs Bureau, represented the Chinese side.

The Japanese side indirectly expressed concern over China's military buildup and urged that China make military information public in such forms as a defense white paper, noting that China's neighbors have an increased interest in Chinese defense matters, according to Sato.

The Chinese side reportedly said that the increase of its defense budget was partly due to inflation and that China's military is for defensive purposes only.

**Zhu Rongji Arrives in Fukuoka, Japan**  
*OW0103173894 Beijing XINHUA in English*  
*1512 GMT 1 Mar 94*

[Text] Fukuoka, March 1 (XINHUA)—Chinese Vice Premier Zhu Rongji arrived today in Fukuoka on his last leg of a nine-day visit to Japan.

Fukuoka, capital of Fukuoka Prefecture, is located in the southwestern Kyushu area widely known as Japan's Silicon Valley.

Zhu is scheduled to visit a ceramics maker and a robot manufacturer Wednesday [2 March] in Kitakyushu, an industrial city known for its high-tech.

Earlier today, the vice premier visited the Seto Ohashi Bridge, the world's longest bridge for combined use of highway and railway.

**Japan International Foundation Opens Beijing Office**  
*OW0103142294 Beijing XINHUA in English*  
*1330 GMT 1 Mar 94*

[Text] Beijing, March 1 (XINHUA)—The Japan Foundation of International Exchanges opened an office here today, aimed to promote cultural exchanges between Japan and China.

The Japan foundation, a government institution established in 1972, deals with cultural affairs between Japan and foreign countries, and its new Beijing office was set up in accordance with an agreement reached by foreign ministers of the two countries during their talks in January, 1992.

It is learned that the Beijing office will also provide aid for and help to manage the Beijing center of Japanese studies.

### Deng Reportedly Urges Officials To Support DPRK Reform

*OW0203074894 Tokyo KYODO in English 0717 GMT*  
*2 Mar 94*

[Text] Seoul, March 2 KYODO—China's veteran leader Deng Xiaoping has instructed Chinese policy makers to fully support North Korea's economic reform policy and realize President Kim Il-song's visit to China, a diplomatic source said Wednesday [2 March].

The source said Deng issued the call after he received a briefing on North Korea from Ding Guangen, a Politburo member of the Chinese Communist Party.

Ding has met Hwang Chang-yop, a North Korean parliamentary committee chairman, who made a trip to China leading a five-member delegation in January.

During his stay in China from January 15 to 23, Hwang discussed with Chinese leaders Pyongyang's economic policy and Kim's planned visit to China, the source said.

In a meeting with Ding, Hwang, who is chairman of the Foreign Affairs Committee of North Korea's Supreme People's Assembly and in charge of relations with China and the United States, conveyed North Korea's intention to adopt a Chinese-style open economic policy.

North Korea announced in 1991 a plan to set up free economic zones in Nakhin and Sonpong, in the northeastern part of the country, as part of a Tumen river development program.

North Korea made a rare and candid admission early in December that the country is in serious economic difficulties and carried out a leadership reshuffle in an apparent move to revitalize its economy.

"The targets of the total scope of industrial output and some major indices including electric power, steel and chemical fiber envisaged in the third seven-year plan failed to be attained due to international events and the acute situation created in (North) Korea," Pyongyang's official KOREAN CENTRAL NEWS AGENCY (KCNA) reported.

Seoul's YONHAP NEWS AGENCY reported in mid-January in a dispatch from Beijing that Kim plans to visit China for in-depth talks with Chinese leaders over the situation on the Korean peninsula and possible favorable moves in connection with North Korea's alleged nuclear weapons program.

YONHAP quoted Western sources as saying Kim's visit to China, expected soon, is being discussed through diplomatic channels and China has reacted positively to the move.

Hwang surfaced as a core member of the North Korean power hierarchy during the December session of the Supreme People's Assembly, along with Kim Il-song's brother Kim Yong-chu.

**Columnist Views Nuclear Inspections in DPRK**  
*HK0203050194 Hong Kong TA KUNG PAO in Chinese*  
*2 Mar 94 p 3*

[“Political Talk” column by Shih Chun-yu (2457 0689 3768); “DPRK Opens Up Its Nuclear Facilities to International Inspection”]

**[Text] Seven-member Team, Two-week Inspection**

A seven-strong International Atomic Energy Agency inspection team arrived yesterday in Pyongyang for a two-week inspection of the DPRK's seven nuclear facilities. The DPRK's acceptance of nuclear inspections is prompted by its desire to improve relations with the United States. It might also face international economic sanctions if it continues to refuse entry to international delegates to carry out inspections. The DPRK's economy is going through a very difficult time. Continued isolation from the international community could aggravate the domestic political and economic situation, which is already grim. Following the DPRK's acceptance of international nuclear inspections, annual ROK-U.S. military exercises will be called off, and a third round of talks between high-ranking officials from the DPRK and the United States has been scheduled for the second half of March—both will help the DPRK break its international isolation. For the United States, the biggest worry in the Korean peninsula security question is its suspicion about the DPRK's development of nuclear weapons, especially when the DPRK announced on 12 March last year that it was withdrawing from the Nuclear Non-Proliferation Treaty to free itself from restraints on its independent development of nuclear arms.

**Does Pyongyang Really Have Nuclear Weapons?**

Does Pyongyang really have nuclear weapons? This is a concern for the United States and its neighbors, such as the ROK, Japan, and China. The long-term closed-door policy of the Pyongyang authorities has made it next to impossible for the outside world to know anything about the DPRK's national defense, let alone nuclear development. Japan is extremely concerned about possible nuclear developments in the DPRK. Around the world, four countries are suspected to be developing nuclear warheads: Israel, South Africa, Iraq, and Pakistan. Unlike those four, the DPRK's geographical location means that it can launch two or three nuclear warheads against Japan. But the DPRK has consistently denied it is developing nuclear weapons and says that its nuclear technology only serves the construction of nuclear power plants. The DPRK used to have close ties with the former Soviet Union, and it is entirely possible that Soviet nuclear and missile experts have helped Pyongyang with its nuclear development. Japan believes that if the DPRK has nuclear weapons, Japan should also be making them. The United States says that it would not be unusual for the DPRK to have more than 10 kg of plutonium by now, and that the DPRK has been secretly developing nuclear warheads and carrier rockets for two years and experimenting with detonators for

three years. Another expert view holds that the DPRK is incapable of developing nuclear weapons. It is true that Pyongyang badly wants to study and develop them, but it does not have the economic strength and suffers acutely from electricity shortages; the development of a nuclear industry requires enormous electricity supplies.

**Pyongyang Develops Relations With ASEAN**

The DPRK's economic situation also precludes it from developing costly nuclear weapons. Last year, it completed its third seven-year economic construction plan without achieving the planned target of a 10-percent industrial growth rate—officials said it was only 5.6 percent. The government has designated the next three years as a period of economic restructuring with the focus on developing food and light industry and foreign trade. Such a move is bound to slow down nuclear developments. The greatest disadvantages for the DPRK are insufficient energy and food shortages. Its trade with China has grown rapidly over the last two years from around \$500 or \$600 million to \$900 million last year, mostly energy and food imports from China. The view of the United States, Japan, and the ROK is that the DPRK wants to develop nuclear weapons very much but has shelved the project because of practical difficulties. It remains to see whether the international investigative team can get full cooperation from the DPRK and can conduct its work smoothly there. However, the DPRK has realized that Asia is the center of economic development and hopes to strengthen its economic ties with the Asia-Pacific region with requests to participate in the ASEAN economic conference. All of this signals a policy change toward embracing the international community. Opening the country to nuclear inspections is part of that change.

**XINHUA Says DPRK Agrees To Hold Inter-Korean Talks 3 Mar**

*OW0103165894 Beijing XINHUA in English*  
*1635 GMT 1 Mar 94*

[Text] Pyongyang, March 1 (XINHUA)—The Democratic People's Republic of Korea today agreed to a South Korean proposal to hold inter-Korean working-level contacts on Thursday [3 March] to discuss the exchange of presidential envoys.

The local press reported that the head of the DPRK delegation today telephoned South Korea's chief negotiator and said that South Korea's proposal was “a matter for rejoicing”.

The exchange of presidential envoys is an urgent matter which could not be delayed, he said.

The three previous rounds of working-level contacts failed to make progress on the issue of dispatching envoys to Pyongyang and Seoul.

According to an agreement reached last Saturday between the DPRK and the United States, if the DPRK

allows nuclear inspection by the International Atomic Energy Agency (IAEA) and opens a dialogue with South Korea, South Korea and the U.S. will contemporaneously announce the suspension of joint military exercises.

The U.S. also will issue the agenda for a third round of U.S.-DPRK negotiations.

A seven-member team of IAEA inspectors arrived here today.

#### **XINHUA Reports IAEA Inspectors' Arrival in Pyongyang**

*OW0103162094 Beijing XINHUA in English  
1303 GMT 1 Mar 94*

[Text] Pyongyang, March 1 (XINHUA)—A seven-member delegation from the International Atomic Energy Agency (IAEA) arrived here today to begin a two-week inspection of seven nuclear sites in the Democratic People's Republic of Korea (DPRK).

The inspections will be carried out in accordance with an agreement reached between the DPRK and the IAEA on February 15 in order to "safeguard the continuation of the nuclear facilities' security."

This action will be the first of its kind since a three-man inspection team came to the DPRK to change monitoring devices at a nuclear site in the Yongbyon region last August.

The inspections are one of the measures called for in an agreement reached between the DPRK and the United States on February 25. Under this agreement, the DPRK accepted inspections by the IAEA and agreed to resume inter-Korean working level contacts.

Meanwhile, the U.S. announced the cancellation of this year's military maneuvers with South Korea, and agreed to hold the third round of DPRK-U.S. meetings in Geneva on March 21.

#### **Near East & South Asia**

##### **Zheng Bijian Meets Indian Communist Party Leader**

*OW0103111394 Beijing XINHUA Domestic Service in Chinese 1528 GMT 27 Feb 94*

[Text] New Delhi, 27 Feb (XINHUA)—Secretary General Hagu zhong Singh Sugute (0761 0657 0022 6580 2706 5685 0657 3676) of the Communist Party of India—Marxist [CPM] met here this morning a CPC delegation led by Zheng Bijian, member of the CPC Central Committee and deputy head of the Propaganda Department.

Both sides briefed each other on their domestic situation and exchanged opinions about further developing the ties between the two parties.

During the meeting, Sugute praised the tremendous results China has achieved in economic reform and development.

Zheng Bijian expressed his appreciation of the efforts made by the CPM in promoting the development of relations between India and China.

Zheng Bijian and his party arrived in Bombay on 23 February to begin their friendly visit to India.

#### **General Liu Huaqing Meets Pakistan Army Chief**

*OW0103142494 Beijing XINHUA in English  
1257 GMT 1 Mar 94*

[Text] Beijing, March 1 (XINHUA)—General Liu Huaqing, vice-chairman of China's Central Military Commission, met with General Abdul Waheed, chief of staff of the Pakistan Army, and his party here today.

They exchanged views on bilateral ties and international issues of common concern.

Welcoming Waheed on his second visit to China since he became army chief, Liu said that China and Pakistan, as well as their armed forces, enjoy close relations.

Despite all changes in the world, Liu said, the relations between the two countries have remained stable, and such relations are a model for countries of different social systems to develop nation-to-nation relations on the basis of the five principles of peaceful co-existence.

Liu said that it is in the interests of both China and Pakistan that the two should increase exchanges of visits and strengthen mutual understanding in the present world situation.

Liu stressed that the two countries should continue to help and support each other.

Waheed said he is happy to visit China again, adding that he hoped that relations between the two countries and their armed forces will be further developed.

Lieutenant General Xu Huizi, deputy chief of General Staff of the Chinese People's Liberation Army (PLA), took part in the meeting this afternoon.

This evening, General Zhang Wannian, chief of the PLA General Staff, met and hosted a banquet for Waheed and his party.

The Pakistan visitors arrived here yesterday as guests of the PLA General Staff. They are also scheduled to visit Xian, Guilin and Guangzhou.

#### **Qian Qichen Meets With Sri Lankan President**

*OW0103171494 Beijing XINHUA in English  
1502 GMT 1 Mar 94*

[Text] Colombo, March 1 (XINHUA)—Visiting Chinese Vice-Premier and Foreign Minister Qian Qichen called on Sri Lankan President D.B. Wijetunga here today.

During the meeting, Wijetunga said, "Over the past 30 years or more since the establishment of the diplomatic relations, the relations and cooperation between the two countries have developed very smoothly".

He said China has provided unconditional aid to Sri Lanka's economic development which has helped raise the living standard of the Sri Lankan people.

Before the meeting with Wijetunga, Qian also called on Sri Lankan Prime Minister Ranil Wickremasinghe.

Ranil said, "Sri Lanka attached great importance to the cooperative relations between the two countries as developing economy is our common task".

He expressed the hope that the two countries will enhance the trade and economic relations which will include the cooperation between the enterprises of the two countries.

Qian told Ranil that though his visit is short, his talks with his Sri Lankan counterpart A.C.S. Hameed and his meeting with Sri Lankan leaders have helped enhance mutual understanding and friendship.

He said, "With increased exchanges between the two countries, the bilateral trade and economic relations between the two countries, especially the cooperation between the enterprises of the two countries are expanding".

He said the governments of the two countries will encourage high level trade officials to explore new ways and means of expanding cooperation.

Earlier, Qian also called on M.H. Mahmad, speaker of Sri Lankan Parliament.

#### **Qian Tells Sri Lankan Journalists About Post-Cold War Order**

*OW0103173594 Beijing XINHUA in English  
1638 GMT 1 Mar 94*

[Text] Colombo, March 1 (XINHUA)—Chinese Vice-Premier and Foreign Minister Qian Qichen reiterated here today the need for establishing a new international political and economic order.

In an interview with local journalists, Qian said, "After the end of the cold war, the world peace can be maintained, but there are still power politics and hegemonism in the world as well as regional confrontations and turbulences".

He pointed out that the economic environment of many developing countries are worsening and the gap between North and South are widening.

Thus so, Qian noted that maintaining the world peace and developing economy has become the main task of the world today. In order to achieve this task, "China stands for establishing a new international political and economic order which should be founded on the basis of the Five Principles of Peaceful Co-existence".

"If we say that China can play a certain role in this process, China should be a factor for promoting the world peace and economic development".

Asked about China's market economy, Qian said, "The objective of China's economic reform is to build a socialist market economy. This is a new trial and China's experience in the recent past has proved that this new trial is very successful."

"Over the past 15 years, market economy in China has been gradually instituted and the economic growth has continued", Qian said.

#### **Qian Qichen Arrives in Maldives Capital 2 Mar**

*OW0203055894 Beijing XINHUA in English  
0540 GMT 2 Mar 94*

[Text] Male, March 2 (XINHUA)—Chinese Vice-Premier and Foreign Minister Qian Qichen arrived here today for a two-day official goodwill visit to the Maldives.

Qian was greeted at the airport by Maldivian Foreign Minister Fathulla Jameel and other government officials.

The Chinese minister came here after his two-day visit to Sri Lanka. The Maldives is the fourth stop in his five-nation tour which includes Pakistan, Bangladesh, Sri Lanka, the Maldives and Iran.

#### **Qian Meets Counterpart**

*OW0203111294 Beijing XINHUA in English  
1041 GMT 2 Mar 94*

[Text] Male, March 2 (XINHUA)—Chinese Foreign Minister Qian Qichen and his Maldivian counterpart Fathulla Jameel exchanged views on bilateral and regional issues at their two-hour talks held here today.

At the talks, Jameel said the Maldivian Government attached great importance to the development of cooperative relations between the two countries.

He believed that Qian's current visit "will contribute much to further development of the relations between the two countries."

He noted that "there have been no disputes between the Maldives and China and the relations between the two countries are founded on the basis of mutual benefit and mutual respect."

Jameel said his country will observe "one China" policy. Qian Qichen appreciated the stand of the Maldives.

Qian said, "The Sino-Maldivian relations have reflected the principle that all countries are equal whether it is a small or a big one."

"In recent years, the economic cooperation between the two countries have expanded and China will continue its

efforts for further expansion of economic cooperation between the two countries," he said.

Qian expressed the hope that the two countries will take steps to encourage their enterprises to increase economic cooperation.

The two sides signed an air agreement and an economic and technical agreement after the talks.

## Political & Social

### Reportage on NPC Standing Committee Meeting

#### Opens in Beijing

OW0203084094 Beijing XINHUA Domestic Service in Chinese 0607 GMT 2 Mar 94

[By reporters Zhang Sutang (1728 1372 1016) and Zhang Yinshu (1728 6892 2562)]

[Text] Beijing, 2 Mar (XINHUA)—The sixth meeting of the Eighth National People's Congress [NPC] Standing Committee opened at the Great Hall of the People this morning.

Chairman Qiao Shi presided over the meeting in the morning.

First of all, the 126 Standing Committee members who were present at the meeting approved the meeting agenda proposed by the chairmanship meeting.

Then, Xiang Chunyi and Wang Shuwen, vice chairmen of the NPC Law Committee, made reports on results of the committee's examination of the draft supplementary regulations governing severe punishment for criminals who organize and transport others to cross the border (boundary) illegally and of the draft law on protecting Taiwan compatriots' investment respectively. The Law Committee proposed that the Standing Committee deliberate and approve these two draft laws at the current meeting.

State Council Premier Li Peng submitted a motion to the meeting, requesting the deliberation of a draft labor law. Labor Minister Li Boyong explained the draft law at the morning session of the meeting.

Entrusted by the State Council, Communications Minister Huang Zhendong gave an explanation requesting the Standing Committee's deliberation of a decision on China's participation in the International Convention on Unifying Certain Laws and Regulations on Ship Collision, the 1974 Athens Convention on Transportation of Passengers and Their Luggage on Seas, and the Decision on the 1974 Athens Convention on Transportation of Passengers and Their Luggage on Seas. Vice Foreign Minister Liu Huaqiu explained the PRC-Thai extradition treaty and the PRC-Kyrgyz consular.

Based on the motions submitted by Cheng Xu and 31 other deputies and by Yuan Qitong and 36 other deputies in 1989 and 1993 respectively, and taking into consideration the development needs of the Xiamen Special Economic Zone [SEZ], the NPC Law Committee suggested today that the NPC Standing Committee request the deliberation and adoption of a decision by the Second Session of the Eighth NPC to empower the Xiamen City People's Congress and its Standing Committee, and the Xiamen City People's Government to

enact laws, rules, and regulations respectively for implementation in the Xiamen SEZ. Copies of the draft decision and explanation prepared by the Law Committee were distributed to members for deliberation today.

Distributed to members for deliberation were also copies of the draft agenda of the Second Session of the Eighth NPC, the draft namelist of the presidium and secretary general of the Second Session of the Eighth NPC, the (draft) work report of the NPC Standing Committee, and the draft namelist of personnel to observe the Second Session of the Eighth NPC.

Li Xuezhi, vice chairman of the Credentials Committee of the Eighth NPC Standing Committee, made a report on credentials of the additional deputies elected through by-elections. He said: Recently local people's congress Standing Committees elected nine additional deputies to the NPC through by-elections. After examination, their credentials were confirmed as valid and were submitted to the NPC Standing Committee for deliberation.

Copies of a report on Chairman Qiao Shi's visit to Germany, Switzerland, and Australia were also distributed at the meeting.

Vice Chairmen Tian Jiyun, Wang Hanbin, Ni Zhifu, Chen Muhua, Fei Xiaotong, Sun Qimeng, Lei Jieqiong, Li Ximing, Wang Mingqian, Wang Guangying, Chen Siyuan, Lu Jiaxi, Buhe, Li Peiyao, and Wu Jieping; and Secretary General Cao Zhi attended the meeting.

State Councillor Luo Gan, President Ren Jianxin of the Supreme People's Court, and Procurator General Zhang Siqing of the Supreme People's Procuratorate observed the meeting.

#### XINHUA Highlights Preparations

OW0203100194 Beijing XINHUA in English  
0948 GMT 2 Mar 94

[Text] Beijing, March 2 (XINHUA)—As a last preparation for the second session of the Eighth National People's Congress (NPC) to be staged shortly, the sixth meeting of the NPC Standing Committee opened here this morning.

The four-day meeting will be presided over by Qiao Shi, chairman of the Standing Committee.

Xiang Chunyi and Wang Shuwen, vice-chairmen of the NPC Law Committee, delivered a report on the considerations of the supplementary regulation on severely punishing illegal border crossings and emigration, and a report on the considerations of the law on the protection of investments of Taiwan patriots. They advised the meeting to consider the two draft laws.

Entrusted by the State Council, Li Boyong, minister of labor, explained the draft labor law at the meeting. He said that the law serves to protect legal rights and

benefits of laborers and safeguard stable and harmonious labor relations between the employees and employers.

Based on motions proposed by the NPC delegates, and considering the development of Xiamen Special Economic Zone, the Law Committee suggested to give rights to the Xiamen City People's Congress and Xiamen Government, permitting them to enact laws and regulations which can be implemented in the zone.

The draft agenda of the second session of the Eighth NPC, draft namelists of the presidium and secretary general, working reports of the NPC Standing Committee, and a draft namelist of the nonvoting delegates were also submitted to today's meeting for consideration.

**Li Xuezhi**, vice-chairman of the Credentials Committee for the Delegates of the Eighth NPC, delivered a report on the qualifications of the by-election delegates. He said that the nine delegates by-elected by the local people's congresses were found to be qualified and he submitted the namelist to the Standing Committee for consideration.

**Huang Zhendong**, minister of communications, and **Liu Huaiqiu**, vice-minister of foreign affairs, explained some decisions for China to join international treaties.

#### **Li Peng Submits Draft Labor Law**

*OW0203112494 Beijing XINHUA Domestic Service in Chinese 0657 GMT 2 Mar 94*

[Text] Beijing, 2 Mar (XINHUA)—Premier Li Peng submitted a motion to the Sixth Meeting of the Eighth National People's Congress [NPC] Standing Committee, asking for examining and deliberating the draft labor law.

**Li Peng** said in his motion: To meet the requirements of establishing a socialist market economic structure; promote reform of the labor system; protect laborers' legitimate rights and interests; establish, safeguard, and develop a stable and harmonious labor relationship between employers and laborers; and promote economic development and social progress, the Ministry of Labor and departments concerned have drawn up a draft labor law. The draft has been discussed and adopted by the State Council's executive meeting.

Entrusted by the State Council, Labor Minister Li Boyong briefed the meeting on issues concerning the draft labor law. Li Boyong said: In compliance with Comrade Deng Xiaoping's direction on formulating a labor law, which he proposed at a central work conference, the former State Bureau of Labor had initiated the drafting of a labor law with departments concerned. Over the past decade or so, the draft has been revised over 30 times following a great deal of investigations and studies as well as repeated assessments. Since the 14th CPC Congress, the Bureau of Legislative Affairs under the State Council, the Ministry of Labor, and the All-China Federation of Trade Unions have further studied,

assessed, and revised the draft law. Presently, various departments are of the opinion that it is extremely necessary and imperative to formulate a labor law; conditions are ripe for this work.

**Li Boyong** said: It is necessary to draw up a labor law to protect laborers' legitimate rights and interests and maintain a stable and harmonious labor relationship between employers and laborers. Since reform and opening policies were adopted, China's non-publicly-owned economic sectors have developed significantly, and publicly-owned enterprises are also stepping up the pace of changing operating mechanisms; thus the labor relationship is becoming more complicated and diversified. In the course of such a profound transformation, a sound and perfect development in labor legislation is, in an objective sense, necessary for correctly readjusting and safeguarding the legitimate rights and interests of both sides of a labor relationship and for resolving contradictions between employers and laborers; it is very pressing to keep laborers' legitimate rights and interests from being infringed upon through legislation. In fact, the practices of extending laborers' working hours at will, cutting their wages, rejecting necessary labor protection for them, and even humiliating and physically punishing workers, which lead to seriously vicious incidents, have been frequently reported in some localities and enterprises, particularly nonpublicly owned enterprises, in recent years because a law that will provide better protection for laborers' legitimate rights and interests is absent. Some foreign-invested enterprises openly harmed laborers' interests under the pretext that there is no labor law in China, deteriorating the labor relationship and disturbing social stability. Many deputies and members from every past term of people's congress and committee of the Chinese People's Political Consultative Conference have submitted motions and suggestions for accelerating the legislation of a labor law.

**He** said: Formulating a labor law is a pressing need for developing a socialist market economy. Under the market economic structure, a market is required as a basic means for allocation of the labor force. As the market economy develops and labor reform deepens, China is gradually improving its labor system, developing it in the direction of requiring a market to allocate the labor force; the development, allocation, and employment of the labor force are markedly more commercial and social; and openness and competition in the labor market are increasingly prominent. These developments objectively lead to the requirement that all aspects of the labor relationship be incorporated into the track of market operations. The behavior, rights, and obligations of the subjects in a labor relationship, as well as the order of the labor market, need to be standardized and safeguarded by law. Therefore, we badly need to draw up a labor law.

In his briefing, Li Boyong also elaborated on the guiding ideology for legislating the draft labor law, to what extent

it is applicable, labor contracts, cutting staff and workers, working hours, and other issues.

### Nine People's Deputies Elected

OW0203075594 Beijing XINHUA Domestic Service in Chinese 0612 GMT 2 Mar 94

[Text] Beijing, 2 Mar (XINHUA)—It was learned from today's sixth meeting of the Eighth National People's Congress [NPC] Standing Committee that nine people's deputies had been added to the Eighth NPC through by-elections. The nine deputies elected by local people's congress standing committees are: Zhang Rongmao and Liang Zengbiao [2733 1073 6977] of Liaoning, Zheng Longzhe [6774 7893 0772] (Korean) of Jilin, Jin Nengchou [6855 5174 4693] of Fujian, Li Rongqin [2621 2837 0530] (female, Hui) of Shandong, Li Changchun of Henan, Wei Jisong (Zhuang) of Guangxi, Chen Shineng of Guizhou, and Zhang Xiuming [1728 4423 2494] of Xinjiang.

In reporting the results of an examination of these deputies' credentials today, Li Xuezhi, vice chairman of the Credentials Committee under the NPC Standing Committee, said that after examination, the committee had verified these deputies' credentials as valid.

Li Xuezhi noted: Five deputies to the Eighth NPC passed away in the past year. Among them, Yang Lieyu and Aisin Giorro Pujie of Liaoning, Fan Haogu of Henan, and Gao Xianhua of Sichuan died of illness; whereas Deputy Wu Disheng, who was also mayor of Shenyang City, Liaoning, was killed in a car accident.

In addition, Deputy Jiao Zuguang of Shandong resigned from the NPC, whereas Deputy Wang Zhangguang of Yunnan and Deputy Xu Xiaocheng of Xinjiang were recalled by the units which had elected them.

It was learned that the sixth meeting of the Eighth NPC Standing Committee will examine and discuss the report submitted by the Credentials Committee and make a final confirmation of these deputies' qualifications.

### Further on Election

OW0203102494 Beijing XINHUA in English 1005 GMT 2 Mar 94

[Text] Beijing, March 2 (XINHUA)—The Credentials Committee of the Standing Committee of the National People's Congress (NPC) submitted a name list of nine NPC candidate deputies to the NPC Standing Committee for deliberation today.

They have been elected by the Standing Committees of provincial people's congresses and approved by the Credentials Committee of the NPC Standing Committee.

The nine candidates are Zhang Rongmao and Liang Zengbiao from Liaoning Province, Zheng Longzhe from Jilin, Jin Nengchou from Fujian, Li Rongqin from

Shandong, Li Changchun from Henan, Wei Jisong from Guangxi, Chen Shineng from Guizhou and Zhang Xiuming from Xinjiang.

Chen Shineng was elected governor of Guizhou Province by the Guizhou Provincial People's Congress last year.

The nominations will be subject to deliberation by the Sixth Session of the NPC Standing Committee, which began today.

The new candidates are supposed to replace the deputies who have died, resigned or been discharged from their positions.

Five deputies, Yang Lieyu, Aisin Giorro Pu Jie from Liaoning Province, Fan Haogu from Henan Province and Gao Xianhua from Sichuan Province, died of illness during the past year.

Aisin Giorro Pu Jie was a brother of Aisin Giorro Pu Yi, China's last emperor.

One deputy, Wu Disheng, former mayor of Shenyang City in Liaoning Province, died in a plane accident last year when he was visiting Israel.

A deputy from Shandong, Jiao Zuguang, asked to resign from the position of deputy to the NPC, and his request was approved by the Standing Committee of the Shandong Provincial People's Congress.

Two deputies, Wang Zhengguang from Yunnan, and Xu Xiaocheng from Xinjiang, were deprived of their NPC deputy status for corruption and other illegal practices.

Wang Zhengguang, former head of Wenshan Prefecture in Yunnan, is being investigated by the local procuratorate for taking bribes.

### To Discuss Xiamen Legislative Rights

OW0203085094 Beijing XINHUA in English 0831 GMT 2 Mar 94

[Text] Beijing, March 2 (XINHUA)—The Xiamen Special Economic Zone (SEZ) in east China's Fujian Province, is expected to be empowered with legislative rights by the National People's Congress (NPC).

The Sixth Session of the Eighth NPC Standing Committee, which opened today, will deliberate the draft decision to authorize the people's congress and its Standing Committee in Xiamen to formulate laws and regulations, and the Xiamen People's Government to issue decrees for the special economic zone.

The NPC Law Committee said that Xiamen, one of the earliest special economic zones in China, has been authorized by the State Council to implement some free port policies and appointed to be a pilot SEZ for urban economic structural reform.

With China opening wider to the outside world, especially with more contacts across the Taiwan Straits,

Xiamen has become an important "window" in developing economic and trade ties with Taiwan and foreign countries.

The draft decision will be submitted to the Second Plenary Session of the Eighth NPC, which falls on March 10, for further deliberation.

The NPC Law Committee said that the draft decision was initiated by more than 60 NPC deputies from Fujian Province.

#### CPPCC Standing Committee Holds Plenary Session 2 Mar

*OW0203095794 Beijing XINHUA Domestic Service in Chinese 0702 GMT 2 Mar 94*

[By reporters Sun Yong (1327 0516) and Zhu Dongju (2612 0392 5468)]

[Text] Beijing, 2 Mar (XINHUA)—The fifth meeting of the Eighth Chinese People's Political Consultative Conference [CPPCC] National Committee Standing Committee held a plenary session at the CPPCC auditorium this morning. The session decided to elect Wang Chengxi and 29 others as additional members of the CPPCC National Committee.

Li Ruihuan, chairman of the CPPCC National Committee, attended the session, which was chaired by Vice Chairman Yang Rudai.

According to a briefing, of the additional members, 16 are CPC and 14 are non-CPC members. They include three women, three ethnic minorities, three members of the democratic parties; and one representative from non-publicly owned economic sectors. After the addition, the CPPCC National Committee has a total of 2,097 members. Of them, 834 are CPC and 1,263 are non-CPC members, accounting for 39.75 percent and 60.25 percent of the total, respectively.

The additional members are small in number, but they reflect the policy of "overall consideration and all-round arrangement" and are closely related with the current practical needs. Intellectuals account for a fairly large portion of the new members. Among them are academicians, professors, experts, and scholars, embodying the concept of respecting knowledge and talented people. There is also a fairly large number of celebrities from Hong Kong; they, a total of seven, are mostly people who have invested in the mainland and contributed to the country's opening up and economic construction. Paying attention to the arrangement of minority nationalities is a tradition of the CPPCC and a major component of the CPC's nationality policy. The three newly elected ethnic members are personages yielding some influence and having a high status in their respective localities and nationalities. A representative from non-publicly owned economic sectors, who is patriotic, respects his profession, and abides by the law, has also been elected.

At the plenary session today, Wang Zhaoguo explained a proposed namelist (draft) of additional vice chairmen and Standing Committee members and election of a new secretary general of the Second Session of the Eighth CPPCC National Committee.

At the session, Wei Jianxing, member of the CPC Central Committee Political Bureau and secretary of the Central Discipline Inspection Commission, delivered a report on progress in the ongoing anticorruption drive. The report consists of three parts: Basic Assessment of the Nationwide Anticorruption Drive Since Last August; Experiences and Practices of the Anticorruption Drive in the Previous Stage; and Anticorruption Tasks in 1994.

Noting that the CPPCC National Committee has all along paid close attention to and supported the anticorruption drive, Wei Jianxing urged all CPPCC National Committee members to, as always, care for and support the anticorruption drive by making suggestions, airing views, taking part in work inspections, and providing important clues to help investigate violations of law and discipline. According to him, this year CPPCC National Committee members will be invited to join supervisions and inspections organized by the Central Investigation Groups so that the anticorruption drive can be carried out in a thoroughgoing, sustained, and more effective manner.

Vice Chairmen Ye Xuanping, Wu Xueqian, Wang Zhaoguo, Ngapoi Ngawang Jigme, Hong Xuezhi, Zhao Puchu, Qian Weichang, Hu Sheng, Qian Zhengying, Su Buqing, Ding Guangxun, Dong Yinchu, Sun Fuling, and Ann Tse-kai attended the session.

#### CPPCC Ousts Two Standing Committee Members

*HK0103153894 Beijing ZHONGGUO XINWEN SHE in English 1452 GMT 1 Mar 94*

[Text] Beijing, March 1 (CNS)—The fifth session of the 8th Standing Committee of the Chinese People's Political Consultative Conference (CPPCC) opened this morning with the Chairman, Mr. Lee Ruihuan, presiding over the meeting. During the session the representatives considered and approved the deprivation of Liu Han-zhen and Ma Liesun of their membership to the 8th National Committee and membership to the 8th Standing Committee of the CPPCC for their deceptive behaviour. [sentence as received]

The decision said that the two members were found guilty of taking part in deceptive crimes and found guilty of serious wrongdoings. The rescinding of their membership of the CPPCC had been reached in accordance with advice by the Central Commission for Discipline Inspection of the Communist Party of China and with the regulations of the CPPCC. Ma Liesun, found guilty of committing serious violations of the criminal laws, was sentenced to a prison term. His membership of the CPPCC was cancelled while he was also relieved of his duties of the Nationalities Group appointed by the Standing Committee of the CPPCC. Liu was a former

member of the Standing Committee of the Guizhou Provincial Party and former secretary of the Commission for Discipline Inspection while Ma Liesun was former vice chairman of the Ningxia People's Consultative Conference.

Speaking at the opening session, Mr. Li Ruihuan said that the meeting was mainly aimed at making preparations for the second plenary session of the 8th National Committee of the CPPCC while at the same time inspecting the work report by the Standing Committee of CPPCC, discussing revision of regulations of the CPPCC, coordinating decisions on certain matters and hearing as well as discussing a report on the current campaign against corruption.

### **Beijing To Make Laws To Protect Rights of Working People**

OW0203084894 Beijing XINHUA in English  
0807 GMT 2 Mar 94

[Text] Beijing, March 2 (XINHUA)—China will have a labor law to protect the legal rights of employees in the country.

A draft labor law submitted today by the State Council to the country's legislature for deliberation stipulates that all laborers are entitled to rights to choose jobs, to be paid, to rest, to have job protection and to receive job training.

Laborers' rights should be equal, irrespective of differences in nationality, race, sex and religious belief, the draft said.

The law will also authorize employers to fire employees within certain limits, when the enterprises are in true difficulties.

"An enterprise on the brink of bankruptcy or in grave difficulty may reduce working staff, provided that the decision is agreed upon by the trade union organization in the enterprise or after consultation with all the staff members," the draft said.

Li Boyong, minister of labor, explained the draft to the legislators at the Sixth Session of the Standing Committee of the Eighth National People's Congress (NPC), which started today.

"The rights of enterprises to dismiss employees for reasons other than employees' faults will guarantee the legal rights of employers to run businesses independently and will give enterprises a certain edge in market competition," Li Boyong told the meeting.

However, the limits set for job reductions are "necessary for China's social stability," he said.

Because China has far more laborers than required, and such a disparity cannot be changed in a short time, massive job reductions would lead to social chaos, he added.

The current session will conduct a preliminary review of the draft law.

The draft law also rules that the contract system will be the fundamental form in shaping China's labor relations between employers and employees, in both private and publicly owned enterprises.

"This is based on China's experiments in implementing the systems and experiences of other market economies," Li Boyong said.

There are already 25 million contract laborers in China, Li said.

The draft also accepts in principle the form of "collective agreement"—which is reached by the trade union organization and the enterprise on matters of payment, working conditions and welfare for the employees.

This system will be mainly implemented in private enterprises. Publicly-owned ones may follow the steps after property rights are cleared and operation improved, Li said.

The minister of labor said that the primary reasons to make the law are "to protect the legal rights of laborers, establish and maintain stable and harmonious ties between employers and employees, and promote China's labor system in line with the establishment of the socialist market economy."

He said that without a systematic legal system to protect working people's rights, China has in recent years witnessed quite a few labor disputes in enterprises, and some "major and grave" labor accidents, especially in private enterprises.

He said workers have been forced to work long hours, or their pay cut without reason in some private enterprises.

Some workers have even been humiliated or beaten by bosses from outside China's mainland, he said.

Li said the draft has been revised more than 30 times since its first version in 1978. The provisions have all been tried out and accepted by all regions, industries, and enterprises of different forms of ownership.

International labor conventions and common practices in market economies have also been referred to in the drafting, Li said.

### **Beijing Unlikely To Approve Red Cross Prison Visits**

OW0203115294 Tokyo KYODO in English 1109 GMT  
2 Mar 94

[Text] Tokyo, March 2 KYODO—China is very unlikely to grant the International Red Cross Society (ICRC) access to its jails in the foreseeable future despite the recent start of official negotiations on the issue, a high-ranking ICRC official said Wednesday [2 March].

"ICRC has been talking to the Chinese Government on the question of access to prisoners for a number of years now. There's nothing new there," Jean-Michel Monod, the ICRC's delegate-general for Asia and the Pacific, told reporters.

Monod, who has been participating in these talks, said, however, that the position of Red Cross negotiators has improved since Chinese Foreign Minister Qian Qichen last November 9 officially invited the Red Cross for talks.

Prior to Qian's announcement, China had always denounced such requests as tantamount to interfering in the internal affairs of a sovereign state.

The announcement came shortly before a U.S.-China summit which was expected to focus on human rights issues, including access to political prisoners, a demand the U.S. had raised repeatedly hoping visits would reduce torture and other abuses.

"I do not wish that these negotiations are perceived exclusively in the framework of the U.S.-China relationship over MFN (most-favored nation status)," Monod said, adding that access to political prisoners is a long-standing, traditional Red Cross concern beyond all national interests.

U.S. President Bill Clinton has warned that he will not extend preferential trade treatment when MFN comes up for renewal in June unless China improves up its poor human rights record.

The Red Cross has checked jails in over 50 countries and will not modify its conditions for visits to Chinese prisons, Monod said.

Concerning the talks in Beijing in mid-January, it is far too early to speak about a "half access or a quarter opening or a tenth of a promise," he said, predicting it will be a "long process" until China accepts the idea of a neutral humanitarian organization entering its prisons in order to protect the detainees' rights.

Meanwhile, the Red Cross has spelled out its terms for the visits, "the same conditions as for any other country," which will be discussed in a number of more technical follow-ups focusing on the wording and legal problems, Monod said.

Once a government gives the green light for prison checks the Red Cross insists on free access to all prisoners of a previously defined category.

Prisoners may not be transferred from their actual place of detention, must be allowed to talk in private, and be guaranteed continued contact with Red Cross personnel.

Given that negotiations are still in their infancy and that defining the content of an ICRC visit or the category of prisoners is already "really difficult," Monod warned against high hopes for a quick solution to the issue.

"We will try to solve all the issues step by step," he said, adding that it is anybody's guess when the first prison visit would be realized.

### Scholars Urge End to Corruption, Part 1

*HK0103020094 Hong Kong LIEN HO PAO in Chinese 21 Feb 94 pp 6, 11*

[By Hu Angang (5170 7254 6921), and Kang Xiaoguang (1660 2556 0342) of the Chinese Academy of Sciences National Conditions Analysis Group: "Creating New Systems To Eradicate Corruption Once and For All (Part One of Three)"]

[Text] Editor's note: This is a "report on national conditions," which has already been submitted to the CPC top echelon.

Hu Angang, and Kang Xiaoguang, two young or middle-aged scholars from mainland China recently presented this updated "report on national conditions," which focuses on analyzing the current corruption issue and sets out the original idea of creating new systems to eradicate corruption.

Last year, the report on national conditions set out by Hu Angang and Wang Shaoguang [3769 4801 0342] dealt with augmenting the central government's guidance in the conversion of the market economy and many of their suggestions in the report have been adopted by the CPC top echelon and became the contents in the plan for improvement, of which the most popular was the "tax-sharing system."

Likewise, the new report on national conditions aims at the malpractice of the day, by making in-depth and incisive analysis, and embodies the courage and vision of intellectuals of a new generation on the mainland. In their analysis, the 4 June incident was under reexamination.

It has not been long since the report was presented and the reaction by the CPC top echelon is still unknown; however, when some intellectuals read the report in question, they shared the "heavy hearts" of the authors in their reaction.

Beginning today, this paper will carry excerpts of this report in three installments. The report analyzes the present conditions and causes of corruption, and boldly explores measures to achieve a radical cure. The academic discussions are deleted because of a limit in space without the authors permission. [end editor's note]

### The Extent of Corruption Has Become Cancerous

It is not exaggerating to say that the extent of corruption in mainland China has already become cancerous and is rapidly spreading throughout the society. Any government which is incapable of fighting corruption will be an incompetent one. All such governments are destined to collapse. It is impossible for a corrupt and incompetent government to carry out modernization. The inevitable

ending is that the people will overthrow the corrupt government. It does not matter whether or not the government collapses; nevertheless, modernization will vanish like soap bubbles and the goal of catching up with the world advanced countries, for which several generations have strived, will be out of the question.

This report proceeds from the institutional factor to analyze the root cause of corruption in China and to explore and discuss the channels for eradicating corruption. A basic viewpoint of this report is that it is imperative to create new systems to eradicate corruption and to guarantee reform, opening up, and development by fighting corruption. The report comprises of five parts. The authors devote the first part to analyzing the institutional root cause of corruption during the period of conversion to the market economy. The authors define corruption as being rent-seeking [xun zu 1416 4436] activity. The essence of corruption in China is precisely the fact that officials from the top down are vying for acting as ones seeking leases and motivated by personal gain under the role of stimulating mechanism. In the second part, the authors brief on several kinds of the most common rent-seeking activities, including the dual-price system, special economic privileges, high tariffs, and import quotas, and the "preferential policies" for some regions or groups. The authors believe that the government's excessive intervention and a distorted market will provide monopoly for particular interest groups and the cause for rent-seeking activities taking on a vicious cycle. The third part sets out the concept that "development is the last word as is fighting corruption" [fa zhan si yin dao li, fan fu bai ye si yin dao li 4099 1455 2508 4289 6670 3810 0646 5201 2408 0048 2508 4289 6670 3810] and indicate the imperativeness of holding aloft the banner of reform and opening and the banner of fighting corruption simultaneously, to create new systems to eradicate corruption and guarantee reform and opening by fighting corruption. The fourth part sets out the concept that creating new systems is the basic channel for fighting corruption; it is necessary to do away with or cut back rent [zu jin 4436 6855] and restrict rent-seekers as well as special privilege groups through institutions. In creating new systems, it is unnecessary to launch mass campaigns to avoid anticorruption struggle evolving into a "Great Cultural Revolution." And the last part focuses on designing major measures for creating new systems to eradicate corruption, such as lifting controls over loan interest rates, while including them on the track of the market interest rates, and advocating the concept of "everyone being equal before interest rates"; lifting control over foreign exchange rates, while merging them with the market exchange rates; removing nontariff trade walls and lowering tariff rates by a wide margin; publicly auctioning import licenses and delegating the powers of direct imports and exports to enterprises in various categories; abolishing industrial administrative departments and commissions and establishing trades associations; strictly restricting monopoly and unfair competition and guaranteeing enterprises in all categories can freely join or withdraw from the trade to

participate in competition; strictly banning party and government organizations from running companies, reducing the scope of administrative officials, raising their salaries by a wide margin, while "supporting the government with normal taxes"; and, at the same time, strictly banning the Army from participating in business, while "supporting the Army with normal taxes" to increase military expenditure by a wide margin.

#### I. The Institutional Root Cause of Corruption: Economic Rent

True, the atmosphere of corruption in society is related to the ideology, morals, and style of some party and government cadres. However, should the atmosphere of corruption remain despite repeated banning and rage with ever greater ferocity, that must be highly connected with the system. Today, our anticorruption struggle is to a large extent a moral practice; in actual fact, the corruption today is mainly institutional corruption. The major root cause of the phenomena of corruption lies chiefly in institutional shortcomings, namely, the institutional shortcomings in the period of converting to the market economy. With such a system, even those straight and honest people would soon degenerate and join the rank and file of corruption, becoming captives of institutional corruption as soon as they have power in their hands.

#### Rent-Seeking Activities Lead To Worsening of Corruption

Let us take a look at an example of "lobbying a ministry for allotment of funds." Suppose a certain central department has 10 million yuan of financial allotment of funds or for project investment and 10 provinces would like to acquire the monetary resources. Because of the limitation in funds, it is impossible for every province to get them, thus competition between them takes shape. The representative of every province is ready to spend 1 million yuan to openly, or semi-openly, "bribe" the department in question in order to obtain a monetary resource that is 10 times the cost of the bribe. Suppose some province has succeeded in obtaining the allotment with a bribery cost greater than 1 million yuan. When the present value of the monopoly after discount is 10 million yuan, with the general volume of the resource remaining unchanged, the resource will flow from nine losers to one successful province. This is like gambling, with many people buying lottery tickets and only one or two lucky ones hitting the jackpot.

Rent-seeking activities have exemplary effects which lead to the worsening of corruption. Because rent-seekers can easily obtain huge or super high profits without going through market competition and technical renovation, this provides a strong stimulation to them while attracting more people to participate in rent-seeking activities, resulting in the spread of corruption on a still wider scope. Rent-seeking does not lead to an increase in social wealth; on the contrary, it leads to low efficiency in resource allocation and a grave waste of resources.

### To Find a Radical Cure for Corruption, the "Rent" Must Be Abolished

In the course of converting to the market economy, the dual-price system is the root cause leading to extensive rent-seeking activities. Economic rent equates the difference between the market and official prices. Here, prices are referred to in a broad sense, including commodity prices, capital prices (interest rates), foreign exchange prices (exchange rates), and prices for imports (quotas and permits.) So long as the two-track price system exists, economic rent will surface, stimulating officials with power and rent-seekers with money to participate and share the economic rent and the phenomena of corruption will grow increasingly serious. That is precisely the institutional root cause for the phenomena of corruption in China. In reality, officials are economic bodies and have motives of personal gain. Under certain restrictions, (such as institutional and moral restrictions) their behavioral criterion is to seek their own maximum interest. It is not abnormal for officials to have motives of personal gain. In China, an official's objective function can possibly be: The expansion of the economic strength of his own unit or locality, an expression to his accomplishments in government, his promotion, increase in actual or invisible income, a say in distributing resources, and consideration for his children, friends, and relatives. Because officials have motives of personal gain, they must be restricted with institutions. The crux lies in the system that shapes the "economic rent." When someone has "something for rent," people will bribe him for that something and will he turn down the bribe when there is no institutional restriction? Whoever is in that position will have the chance to seek something for rent and be stimulated by such rent-seeking activities. So long as such "rents" exist in the system, corruption will be bred. The only solution to it is to create new systems, build new-type modern systems, abolish such "rents," and create new systems to eradicate corruption.

### II. The Most Common Rent-Seeking Activities

Rent-seeking activities are connected with the government's excessive intervention in the market; without such intervention, and the particular monopoly provided by such intervention, there would be no way to seek such rent. Here, a point needs be explained, namely, there are two sides to government's intervention in the market economy. When the government's intervention creates conditions for fair competition in the market economy, implements the unified taxation system and tax rates, builds a unified market system to prevent the shaping of monopoly by some interest groups, such intervention is effective and falls in the category of proper intervention. When the government's intervention results in a distorted market, jeopardizing the fairness in market competition while providing some interest groups with preferential policies and implementing discriminatory policies for other interest groups, such intervention will be ineffective and fall in the category of excessive intervention. This being the

case, the excessive government intervention has provided legitimacy for rent-seeking activities, whereas many rent-seekers have conveniently found grounds for legitimate rent-seeking from government policies, institutions, and regulations. That is the fundamental cause for the worsening of rent-seeking activities.

### Worsening of Rent-seeking Activities Because of Intervention

In the course of converting to the market economy, the most common rent-seeking activities are:

First, the dual-price system. Excessive government intervention results in price distortion. For example, when the government controls the prices of certain commodities, because of great demand, market prices are far higher than official prices and the price differences shape into economic rent. For another example, the government controls the volume of bank loans and interest rates and the market interest rates are twice the official interest rates. The bank directors, clerks in charge of loans, and the rent-seekers share the "interest rent." Take still another example, the government controls the volume of foreign exchange as well as exchange rates, with the market exchange rates far higher than official ones. Those officials who have the power to examine and approve foreign exchanges are those who enjoy the "exchange rate rent."

Here, a point that needs be explained is that since reform, the degree of marketization in China has rapidly expanded and the dual-price system tends to transit in the direction of the one-track market price system. Presently, prices of farm and sideline produce, retail prices of commodities in society, and prices for production materials under the state's direct control or planning guidance account for a very small proportion. Although the rent in this area remains, it is taking on a tendency to wane or disappear. Likewise, the dual-track system of foreign exchange rates is moving toward a merger between the two and the bulk of foreign exchanges are transacted according to the market exchange rates. Likewise, rent in this area is waning or disappearing. Presently, the largest rent comes from the banks loans and interest rates. The government continues to intervene in bulk in the volume of loans and compulsively stipulates interest rates. Although the official interest rates have risen somewhat they are still far lower than the market interest rates. With a special permit from the state, the bank, this particular interest group, shares the greatest rent by monopolizing the use of the rarest resource—capital. A glance at the most luxurious bank buildings that have risen up in many large cities, including many counties and towns, serves as evidence to prove this point. They are just part of the rent and have a very close resemblance to the external characteristic of major banks all over the United States.

Second, special economic privileges. Primarily this refers to privileges beyond the law and institutions and second, it refers to special economic permits which have

violated the principle of fair competition and which the law and institutions have failed to restrict. For example, the trade's monopoly in operation, allowing only state-owned enterprises the power to monopolize the operation in some trades, while barring enterprises in other categories to freely enter and participate in competition; protecting the essential income of a small number of state-owned enterprises which is higher than the essential income of other industries. A typical example is the petrochemical industry, with the entire industry monopolized by a single company. Consequently, this special interest group enjoys the economic rent all by itself. Take for another example, the special permit for producing or marketing certain categories of commodities. The exclusive possession of the trade in tobacco, or in the operation of telephone and telegram services are on lease with a special permit issued by the government. When those enterprises acquire the monopoly, they will receive monopolized profits, namely profits exceeding the normal level.

When the government allows some special interest groups to have an industrial monopoly and a special permit in operation, the unhealthy atmosphere in the trade will remain stubbornly despite repeated bans. On the other hand, those interest groups will draw a portion from their monopolized profits to bribe government officials so that the latter can come out in the open to intervene and impede other enterprises from participating in competition to protect their monopoly status and guarantee that their industrial economic rent will not be expanded and shared by others. This being the case, to abolish those special economic privileges and allow other enterprises to participate in fair competition is the way to radically cure the unhealthy atmosphere in trades.

Third, high tariffs for imports and import quotas. There are both advantages and disadvantages in high tariffs to the development of national industry. From the angle of advantages, high tariffs serve to protect the infantile national industry from international competition and enable it to develop rapidly. From the angle of disadvantages, when the industry is to transcend the infantile phase and is monopolized by a small number of enterprises, those enterprises will give up their efforts to improve technology and quality and augment their market competitiveness with the protection of high tariffs. They enjoy the same essential income far higher than other industries.

The control over import quotas and import permits has become the major source, as well as chief characteristic, of rent-seeking by foreign trade departments and companies. A foreign trade company general manager said publicly: "If we delegate power of imports and exports to enterprises, who then will support us?" Obviously, to artificially set up a tariff wall, implementing an operational monopoly in foreign trade is actually protecting the vested interests of those government-run organizations and monopoly groups under the pretext of protecting national interest.

And fourth, the government's "preferential policies" for certain regions or groups. Everyone knows that "preferential policy" is not a mere scrap of paper but has a great content of gold, which equates providing certain monopoly to a certain province or trade. For example, regarding the implementation of "tax reduction or exemption" over a certain province, the conversion of resources takes the form of handing over less taxes to the state; the province or trade that succeeds in acquiring such "preferential policy" is always the one that pays the least tax (referring to ratio), and which equates with enjoying a "blood transfusion" from other provinces and regions, thus indirectly acquiring a sort of economic rent.

#### Special Groups Monopolize Huge Profits

Aside from the aforesaid rent-seeking activities, there are still other types of such activities which, in essence, are all utilizing institutional shortcomings and enabling a small number of special interest groups to resort to means of unfair competition to acquire tremendous profits through monopoly.

In a nutshell, the government's excessive intervention has shifted market distortion which, in turn, gives rise to economic rent and stimulates rent-seekers' corruption. The greater the extent of the government's excessive intervention, the more obvious is market extortion and the higher the economic rent will be. That is the main cause for the increasingly intense corruption in Chinese society today. However, there are two sides in government intervention. If government intervention is capable of readjusting and correcting market distortion, economic rent will be reduced, as will the phenomena of corruption. Obviously, such intervention does not mean to change the market economic mechanism and restore the planned economic structure; on the contrary, it is to make full use of the market economic mechanism and cure corruption through creating new systems.

#### III. Development Is the Last Word, As Is Anticorruption

"Development is the last word." Without development, there would be no way out for China. Development has always been China's most important economic goal. However, development involves some conditions and corruption should not be the price nor the lubricant for development. To engage in corruption is doubtlessly suicidal and is sure to jeopardize development, lose opportunities, and interrupt the process of modernization in China.

The "4 June" incident is a typical example that gave us much food for thought. In analyzing the causes of the incident, Deng Xiaoping said: "One of the causes is the breeding of corruption phenomena which has made some of the masses lose faith in the party and government." In addition, he said: "No slogans on opposing reform and opening have surfaced in the recent incident and the slogans focused on fighting corruption. Of

course, to some people, such slogans are just a background and aimed at bewildering people's minds with anticorruption." That showed the breeding of corruption had roused complaints from the broad masses, which was an important cause that sparked the "4 June" incident. Otherwise, there would not have been a million people taking to the street demonstrating in Beijing. History is our best teacher. However, times have passed and circumstances changed and few people would think today: What suddenly sparked the "4 June" incident? And still fewer people would care: Would such an incident repeat itself from now on? Nevertheless, should a nation lack profound reviewing and serious understanding such an incident, it could hardly avoid a repetition of the historical tragedy.

#### Five Types of Periodical Shock and Social Instability

Reviewing the more than 40 year's historical progress, we find two outstanding characteristics in the social development of China: First, a considerably high economic growth rate; and second, the instability of economic and social development, accompanied by five types of periodical shock, namely, periods of economic fluctuations, structural change, political struggle, mass campaigns, and student movements. Such instability finds root in the economic system within the Chinese Government. Despite the fact that great changes have taken place in various systems in China since reform, such instability can still be very keenly felt. Regarding the relations and causes for these five types of cycles, the authors will discuss this further in another article. Here we shall do some analysis centering around the issue of the rise of corruption and anticorruption.

The CPC as a party in office since the PRC's founding has controlled the bulk of economic resources of the whole society, with a huge state organ controlling those resources. (Explanation: The words bureaucrat and bureaucracy are used neutrally in the following.) Simultaneously, two issues surface; first, the flooding of bureaucratism and low work efficiency and second, the malpractice of acting the high and mighty official and corruption. Because of the lack of an external force to restrict power, as well as an independent supervising system, those two issues have always awaited a solution and perplexed the leading members. Mao Zedong's way was precisely to frequently unfold political struggles and launch mass campaigns. The movement against the three evils [corruption, waste, and bureaucracy], the movement against the five evils [bribery, tax evasion, theft of state property, cheating on government contracts, and stealing economic information as practiced by owners of private industrial and commercial enterprises], and also the "four clean-up movements" were all to conduct periodical purges of corrupt elements and the opposition inside the bureaucratic system; however, he believed that all those movements had failed to resolve the problems. Hence, the imperativeness of the "Great Cultural Revolution," namely, relying on the masses outside the bureaucratic system to launch a noninstitutional purge on a still wider scope. During the period of the

"Cultural Revolution," Mao Zedong landed himself in a "dilemma": On the one hand, he wanted to do all he could to destroy the huge bureaucratic organ which he had personally founded; on the other, he had to rebuild another bureaucratic organ, which a modern country must rely on for its operation. However, he refused to resign to such a situation and, before he passed away, he was determined to carry the "Great Cultural Revolution" through to the end. The tragedy of Mao Zedong in his later years was very complicated. We have to acknowledge that his stubbornness in fighting bureaucratism and corruption represented the aspirations of the broadest masses; nevertheless, when he resorted to non-institutional means (such as class struggle, political struggle, and mass campaign,) we cannot evade the fact that he committed fatal mistakes and eventually dragged the entire nation into an abyss of turmoil.

In the course of rebuilding the state bureaucratic organ since reform, the planned economic structure characterized by centralization has gradually been broken up, with the market economic mechanism characterized by decentralization in decisionmaking; at the same time, organizations of legislation, supervision, and law enforcement have gradually been set up, completed, and perfected. This shows that China has made substantial progress in the development toward marketization economically and legalization socially. However, the issues of bureaucratism and corruption have not been settled, because of the aforesaid cause of institutional shortcomings and the surfacing of special interest groups, which will be discussed later in this article, corruption has become the greatest social pollution in China in the conversion to the market economy and is continuously worsening the social environment.

#### Corruption Inside the Party Might Interrupt Reform

Corruption has always been the gravedigger for the government.

We are anxious that the vicious corruption inside the party is the most likely factor which will interrupt the course of reform and modernization from now on. The man in the street outspokenly refers to some cadres as "corrupt officials" and "local tyrants and evil gentry." Inner-party corruption will lead to the Communist Party and its government losing the foundation of their legitimacy, namely, the people's approval of the party and government is reducing. That is one of the expressions that the national strength of China is universally waning. Some scholars have noticed that corruption has politically endangered the prestige and strength of the party and the state political power, resulting in the people's doubts about the political authority of the Communist Party and the state. The corruption of the rank and file of cadres of the party and state will eventually shake the foundations of the party and state power as well as the entire social system, hence social instability.

"Water may allow a vessel to float on it and it can also upset it." Should we allow corruption to spread

unchecked, while failing to thoroughly resolve corruption, especially, the high-ranking tier inside the party, it is not impossible for the Communist Party to collapse because of institutional corruption. In actual fact, the party leaders are aware of this possibility.

### Scholars Urge End to Corruption, Part 2

HK0103040494 Hong Kong LIEN HO PAO in Chinese  
22 Feb 94 pp 2, 10

[By Hu Angang (5170 7254 6921) and Kang Xiaoguang (1660 2556 0342) from the Chinese Academy of Social Sciences National Conditions Analysis Group: "Creating New Systems To Eradicate Corruption Once and For All (Part Two of Three)"]

[Text]

### VI. Institutional Upgrading Is the Fundamental Way of Opposing Corruption

There are temporary and permanent cures for corruption. It is a temporary cure to morally encourage incorruptibility among officials, urging them to exercise self-discipline and keep politically clean. It is a permanent cure for corruption to root it out of its hotbeds.

As we mentioned in the previous article, the current corruption in Chinese society has something to do with the process of transformation to a market economy, including institutional defects, institutional changes, and an imperfect legal system. If corruption occurs in certain departments, localities, and among certain cadres, we can regard the phenomenon as an isolated case and mainly adopt the method of fighting it morally, enforce the law on the very few corrupt officials, and make public several major and important cases to "send a warning to a hundred by executing one." Nevertheless, when corruption has become a common practice in society and people in the higher echelons and the lower levels are all seeking rent [xun zu 1416 4436], this shows there is big trouble with the existing structure which will foster and breed corrupt elements of all descriptions, major and minor. The exclusive use of "party discipline and state laws" against corruption is just like cutting the fragrant-flowered garlic, which grows thickly once its previous patches are cut. This being the case, it is necessary to eradicate the hotbeds and soil which breeds corruption with institutional upgrading.

Objectively, corruption can be found at any time and everywhere. However, in different societies and under different structures, corruption differs in degree and scope. By remedying corruption permanently through institutional upgrading, we mean minimizing the scope of corruption characterized by people seeking rent through institutional checks.

Establish a market economy system.

By institutional upgrading, we mean establishing a modern market economic system and an economic environment based on fair competition. This includes abolition of the double-track price system, economic privileges, and economic monopoly; promotion of the free flow of production elements and trade freedom; restriction of special interest groups; correction of excessive government intervention; and the reduction of the loss of government effectiveness. The adoption of these reform measures conforms to the goal set by the Chinese leaders to establish a socialist market economy system and will thus greatly help expedite the marketization process of the Chinese economy, cut the cost of social business, and promote economic prosperity and social progress. Resistance comes from within the CPC.

Resistance to anticorruption comes from within the CPC, with its main manifestation being the formation of Communist-led special interest groups of all descriptions. The CPC is not a monolithic bloc. It does not share identical interests and does not have unity in steps. Otherwise, so long as the party Central Committee issues an order, corruption would disappear across the country or at least would be controlled. Within the CPC and the state machinery, various kinds of independent economic and political interest groups have emerged. This is one of the most important characteristics of the changes which have taken place in Chinese society since reform was introduced, a reflection of the development of the internal groups of the party and the state machinery from being unified to being pluralistic and from being centralized to being decentralized. The role of the political party has been weakened while the role of interest groups is intensifying. State authority is diminishing while group authority is expanding. These groups are special interest groups rather than the interest groups in the general sense, such as the interest groups of the workers, of the peasants, of the teachers, and of the scientists. Their main characteristics are as follows:

First, motivated by their own interests, they set the pursuit of their own group's maximum interests as their objective. They are exclusively concerned about the growth of their own group, disregarding the loss of society's total wealth. Therefore, so long as there is a lack of institutional checks or there are economic rent [zu jin 4436 6855], motivated by their own interests, they will seek the rent.

Second, they belong to groups of a profit-sharing nature and participate in sharing society's resources and profits. Although they constitute a small proportion of the country's total population, they are always in a position to obtain a higher proportion of economic resources.

Third, they are exclusive and monopolistic in nature. They exclude other groups from participation in profit-sharing activities, hinder the free flow of production elements by opposing their competitive opponents' participation, and increase their social monopoly. Of course, when they share economic rent and other resources with their opponents, or resist external threats

and rectification efforts, they will collude with each other intensively and extensively, "one official covers up for another official" and, thus, make themselves more complicated and difficult to deal with.

**Fourth, they are highly influential and able to cause the "lose of government effectiveness."** They try every possible means to influence government policy and even the policymaking of the highest echelons of leadership. They also ask for excessive government intervention, or the intervention by top leaders, to achieve some economic privileges and preferential policies and promote their own interests. They try by every possible means to oppose and hinder the adoption of reform measures conducive to fair competition because the measures will mean the loss of many of their monopolistic benefits.

**Fifth, their vested interests are rigid.** There can be an increase rather than a reduction in the absolute interests they obtain and in the relative interests they share. **Reform touches on vested interests.**

The characteristics mentioned above determine that any major measures for institutional upgrading will undoubtedly meet with strong opposition from these special interest groups because reform touches on their vested interests and may put them in an unfavorable position. For example, many interest groups disagree to such reform measures as cutting customs duties and abolishing import restrictions and exclusive state control in foreign trade. Just as Paul A. Samuelson said: The history of tariff protection has revealed more opposite cases. Some industries are in their infantile stage forever. What is protected by the government is the vested interest groups which have always refused to cast away their diapers for many years rather than infantile industries. (Paul A. Samuelson and William D. Nordhaus: "ECONOMICS" (12th) Chinese edition, published by the China Development Publishing House in 1992, p 1450) **Interest group behavior should be standardized.**

The difficulty with market-oriented reform is how to handle some special interest groups. Practicing the market economic principles based on fair competition will, in essence, help reduce or get rid of the economic rents exclusively shared by these special interest groups. Institutional upgrading is aimed at standardizing the commercial behavior of these special interest groups, restricting their monopoly, and allowing other groups or manufacturers and business people to get involved in competition, rather than eliminating and expropriating them so that the market based on competition becomes more mature, monopolistic profits will become average profits, and economic rents will disappear gradually.

Proper government intervention is a prerequisite for institutional upgrading. In real economic life, the government, more often than not, will provide certain special interest groups with some sort of monopoly,

intentionally or unintentionally, such as economic privileges or preferential policies. Thus, the other groups will follow suit and also seek preferential policies conducive to their interests.

The government, in particular the central government, can both create and eliminate unfair competition. It must be made clear that the purpose of government intervention is to define a series of regulations for market competition, put an end to market distortions and ineffectiveness, create a market economic environment based on fair competition for the various kinds of main players in economic activities (including special interest groups and general interest groups), and bring the role of the market economy into the fullest play. **To oppose corruption, we must not rely on launching mass movements.**

Anticorruption is an institutional upgrading activity. It needs careful planning, organization, and implementation. To combat corruption, we must not rely on launching mass movements, or turn anticorruption into a political movement, because a mass movement or a political movement cannot remove the institutional roots of corruption, or remedy institutional defects, and is bound to lead to either confusion or disturbance. Anticorruption is an institutional reform in the genuine sense. The road to the most successful institutional reform is one of active reform progressing step by step.

Institutional upgrading needs to bring the "superiority of achieving development at a later date" of the countries starting modernization later than others and the leading role of the central government into play, achieve institutional upgrading at relatively less cost and higher speed, and wipe out, once and for all, the conditions breeding corruption. As a latecomer to modernization and modern market economy, China can learn from and use for reference the experiences in institutional upgrading which have taken hundreds of years for developed countries to achieve at a high price, including institutional framework, economic systems, and legal standardization. This is the so-called "superiority of achieving development at a later date."

With the government playing a leading role and the help of the superiority of achieving development at a later date, it is possible for China to lower the economic rents in the various aspects of endeavor and check the vicious expansion of corruption by carrying out market-oriented reform in a relatively short time, say, two or three years, and, further, to roughly establish the framework of the socialist market economic system in a relatively short time, say, 10 years or a little longer. **We Do Not Oppose the Use of Ethical Restraining Forces.**

Finally, what needs pointing out is that we favor curing corruption permanently by institutional upgrading. However, this does not mean excluding and opposing the use of ethical restraining forces but, on the contrary, they must be strengthened and fully used. The following major reform measures to be taken are all based on this

idea. At the same time, consideration has also been given to short- and long-term measures. Some measures can be gradually put into effect in the short term and some take a relatively long time to implement.

#### V. Suggestions for Major Institutional Upgrading Measures To Cure Corruption Permanently

1. Liberalize interest rates and make them market oriented. Capital is the most sought after element of production and, while capital is the source of economic growth, it can become a bottleneck for economic expansion. In a market economy, "everybody is equal before interest rates." This is one of the basic conditions for the main players in economic activities of all types to enjoy fair competition and economic freedom. Interest rates are the use price of funds and reflect the relationship between fund supply and demand. For many years, state-owned banks have pursued official interest rates in some enterprises (mainly state-owned enterprises) and market interest rates among some other enterprises (mainly nonstate-owned enterprises). Moreover, they gave "preferential treatment" to the former in the form of a loan quota ration and employed "discriminatory treatment" to the latter. This is the typical way of doing things based on the "theory of the unique importance of class origin," a method which violates the principle of fair competition in the market economy. It is one of the main causes for the distortions in the funds market and the large-scale rent-seeking activities. Moreover, the current banking and financial activities are basically directed by administrative orders. Under the pressure of political groups, the banks grant "political background" loans and governments at all level directly interfere in the banks' loan business. The basic line of thinking on cracking the crux of this problem is to turn the "double track" interest rate system to a "single track" market interest rate system, liberalize interest rates, relax the restrictions on loan quotas, forbid the pursuance of discriminatory or preferential interests rates toward any enterprises, let "everybody be equal before interest rates," and grant financial discounts and subsidies to loans used by such sectors as agriculture, energy, and telecommunications. For this purpose, we suggest: Pursue the idea that "everybody is equal before interest rate."

—Pursuing market interest rates and abolishing official interest rates. Savings interest and loan interest rates should fluctuate side by side. Commercial banks are entitled to decide their own interest rate levels. Government organizations are not entitled to issue mandatory orders on loan and interest rate levels to commercial banks. Interest rates can be liberalized in two steps: First, official interest rates can be increased gradually and oriented to market interest rates and restrictions on loan quotas can be relaxed gradually and, second, interest rates can be oriented to the market and restrictions on loan quotas can be lifted.

—Promoting development of commercial banks and interbank fair competition. We should lift the restrictions on bank businesses (including regional and trade restrictions), allow the development of nongovernmental commercial banks and the participation of foreign commercial banks in competition in the domestic market, eliminate the restrictions on the free participation of financial enterprises in such competition, and let relevant departments be in charge of examining and approving the qualifications of enterprises to engage in financial activities. Several major specialized banks are still occupying a monopoly position. They should be divided into smaller banks and encouraged to compete with one another in accordance with a fair competition mechanism.

—Pursuing mortgages on assets (funds) in enterprise lending. Mortgage loans are extended to enterprises, which use 50 to 75 percent of their funds (circulating funds plus fixed assets) as pledges, according to their types (production enterprises and enterprises engaged in circulation) and the degree of their creditability. Once enterprises default on their loan repayments or their assets are less than their debts, they will be confiscated and sold by public auction by the banks.

—Granting loans to agriculture, communications and transport, energy, telecommunications, and other basic industries and giving them government financial discounts and subsidies to promote their development. Some of the help-the-poor funds of the poverty-stricken areas should be changed into financial discounts and subsidies to help the areas develop their economies. Abolish exclusive state control in foreign trade and turn down trade barriers.

2. Since customs tariff rates were cut, nontariff trade barriers were removed, and the reform of exclusive state control in foreign trade was introduced, the Chinese economy has rapidly become more market-oriented and the market orientation index has increased from 25 percent in 1979 to 63 percent in 1992. Nevertheless, China's foreign trade structure, in particular its import structure, still conspicuously retains the characteristics of the planned economy, such as exclusive state control in foreign trade, import licensing and control, high customs duties, and export control. These ways of doing things are, in fact, protection by the government of the interests of a small number of interest groups and some producers at the expense of the interests of the whole and the consumers. They have hindered the overall liberalization [kai fang 7030 2397] of the Chinese economy and thus are detrimental to promoting the free flow of production elements and both domestic and international competition. Therefore, it is increasingly urgent to reform the foreign trade structure, in particular the import structure. It is also the only way of reducing and eliminating the economic rents brought about by the structure. For this purpose, we suggest:

—Lowering customs duty rates by a wide margin and eliminating nontariff import restrictions; scrapping

the import licensing of major commodities, lifting administrative controls over imported commodities, and simplifying customs duties; and terminating various localities' power of tariff concession, which should go to the central government.

—Eliminating exclusive state control in foreign trade, empowering enterprises of all types to directly import and export, treating state-owned and nonstate-owned enterprises equally without discrimination, with the relevant departments in charge of enterprises' import and export qualifications, and auctioning the import approval documents for major commodities.

—Lifting restrictions over the operation by foreign capital of such industries as commerce, trade, banking, insurance, communications and transport, post and telecommunications, real estate, and tourism, and boosting the competitiveness of the tertiary industry at home.

—Removing controls over foreign exchange and gradually establish a floating exchange rate system to make the renminbi a freely convertible currency and promote the internationalization of the Chinese economy.

—Gradually using international market commodity prices and establishing links between international and domestic markets.

—Pursuing an appropriate, protective policy toward agriculture and infantile industries at home but a more liberal policy toward car, petrochemical, and other monopolistic industries. **Put monopoly under strict control and promote fair competition.**

### 3. Put monopoly under strict control and ensure that enterprises of various types and localities compete with one another on a free and fair basis.

Competition is the core of the market economy and also a motive force in economic development. However, the market economy does not operate in a vacuum, with competition going unregulated. One of the important government functions in the market economy is to set "regulations" for competition through policies and laws; create an environment of fair, open, and just competition for the main players in economic activities; and ensure the effective operation of the market economy. Antimonopoly is interference by the government in the incomplete market competition. It is achieved by enacting a set of laws with which to standardize and restrict enterprise behavior such as monopolizing the market and forbidding enterprises from taking irregular actions to compete. The formation of monopoly has many factors, including product difference, superior cost, and the rate of economic returns. The most important reason is institutional hindrance. To put it another way, the system has restricted other manufacturers and business people and the element of recourse from getting free access to the markets for certain professions and trades. If the market is open and allows fair competition,

those who corner it have to engage in a fierce competition with other manufacturers and business people who have free access to the market, their monopolist profits will gradually disappear. To prevent monopoly operations and ensure fair competition, we suggest:

—Enacting an antimonopoly law as soon as possible to curb monopoly, unfair competition, and the conspiratorial actions of a small number of enterprises and reorganizing and disbanding some monopoly organizations and enterprises, in particular, companies or trade companies with exclusive control over certain industries which must be divided into more than two companies so that they will compete with each other.

—With the exception of a small number of public trades (such as water supply, electricity supply, gas supply, and post and telecommunications) and the military industry, most trades will not restrict enterprises engaged in other trades from having free access to the market and set up manmade barriers to the market. Companies are prohibited from monopolizing public and service trades (such as communications and transport, telecommunications and telephone, insurance, and broadcasting and television). The government should exercise the necessary economic controls and impose restrictions on their prices, product varieties, and the conditions of market access. —Prohibiting the adoption of means other than efficiency competition to compete, such as preferential interest rates and franchised operations.

—Accelerating the transformation of various industrial departments and companies from monopoly to fair competition in their sectors and the transformation from the control of state-owned enterprises to the industrial management of state-owned enterprises and nonstate-owned enterprises and from administrative departments to trade associations. Market unity helps break regional confinement.

—Reaffirming the principle of separating finance and industry and preventing the convergence of financial monopoly and industrial monopoly; implementing the provision made by the Central Committee and the State Council on 28 July 1989 that trust investment companies and other financial institutions are prohibited from directly running non-financial enterprises and those which have been set up should be separated in terms of functions within the specified time. The operational scope and funds of the abovementioned companies should be reassessed so that finance and investment are separated.

—Abolishing various kinds of preferential policies and tax concessions, including the multifarious practices in violation of fair competition adopted by the special economic zones, development zones, cities enjoying provincial status in the state plan, and companies whose development plans are listed separately in the state plan.

—Breaking down market barriers set up by different regions, ensuring the free flow of production elements, and establishing a single domestic market.

### Scholars Urge End to Corruption, Part 3

HK0103152894 Hong Kong LIEN HO PAO in Chinese  
23 Feb 94 pp 2, 10

[Article by Hu Angang (5170 7254 6921) and Kang Xiaoguang (1660 2556 0342) of the Chinese Academy of Sciences National Conditions Analysis Group: "Creating New Systems To Eradicate Corruption Once and For All (Part Three of Three)"]

[Text] 4. Party and government organizations should be strictly forbidden to engage in business activities. With "the administration maintained by regular revenue," the high salary system for bureaucrats should be introduced.

Whether or not officials should live on government pay or should "do business" or be allowed to "earn extra income" is a controversial issue.

We believe officials should only live on government pay. They should never be allowed to "do business" or "earn extra income" under any pretext. It is imperative to "maintain the administration with regular revenue." "Maintaining the administration with regular revenue" means the government collecting compulsory taxes and then paying the salaries of government officials and other personnel in the form of fiscal outlay. In developed industrialized countries, this pay is considered "bureaucratic pay" and a "high salary system" is in operation. Normally, the average bureaucratic pay scale offered by the public sector is higher than, or equivalent to, the average pay scale offered by the private sector. The pay scale for central government officials is even higher, because more skills, higher educational qualifications, and richer experience are required of these officials than employees in the private sector. On the one hand, the high salary system conforms to the theory of human capital investment returns and attracts a constant flow of outstanding members of society into the government bureaucracy to help improve the quality of that bureaucracy. On the other hand, "high salaries foster honesty in official conduct." When bureaucrats enjoy relatively handsome and stable salary income and decent living standards, the temporary gain obtained through corruption and embezzlement will have to be greater in order to make it worthwhile because of the risk of losing the income of "bureaucratic salaries" for ever. This will check the impulse for corruption among bureaucrats to a great extent but if the low salary system is operating, it will cause many outstanding members of the bureaucracy to leave and the quality of the bureaucracy to go down. On the other hand, because the officials are paid less than their human capital input and the worth of the work they contribute, they will certainly seek illegal means of income to obtain new self-compensation. All kinds of practices to "make extra money by official means," with or without disguise, are a form of legally

acceptable compensation; while seeking personal gain by abuse of power is another form of compensation, which is illegal. There is no essential difference between the two and both practices give officials a strong rent-seeking incentive [xun zu ji li 1416 4436 3423 0536]. Some scholars believe that being in a relative state of pauperism has left the social status of party and government cadres in a polarized state and the highest political status and lowest economic status necessarily induce the impulse of party and government cadres to compare their incomes with others and pursue high income for the sake of a mental equilibrium. Therefore, one can say that low salaries necessarily arouse party and government officials' impulse for corruption. What needs elucidation here is that, at the moment, officials are under the low salary system on the one hand and, on the other, are enjoying "hidden incomes," such as invisible housing subsidies and entitlement to transport in exclusive cars and aircraft. With the ill-defined public and private incomes and ambiguous rules and regulations, many officials have learned to "hitchhike." The openness of the administration [shi zheng 1395 2398], the clarity of the regime, and the well-defined demarcation between the public and the private will reduce the incidence of "hitchhikes" and to some extent check corruption among officials. For this purpose, we offer the following suggestions:

—We should introduce a high salary system for bureaucrats and significantly raise the average pay scale for cadres in government organs, so that it is higher than the average wage level for workers in the whole country and reaches or exceeds the middle income level. The average pay scale for cadres in the@central government organs should be even higher. The pay scale for cadres at and above the level of ministers should be equivalent to the high income scale and should be decided and announced by the National People's Congress Standing Committee on a yearly basis.

—All kinds of invisible subsidies granted to officials, such as housing subsidy, car subsidy, and medical and medicine subsidy, should be scrapped and directly included in their salaries. All the special supply avenues and special services at preferential rates or free gratis should be removed.

The incomes and properties of officials should be made transparent. They should collect all income by producing their ID cards. The incomes collected should be transferred, paid, recorded, and monitored by the bank, step by step. In the meantime, they should deliver personal income tax and property tax according to law. When necessary, the incomes, properties, and tax payments of leaders can be publicized from time to time. The judicial and tax authorities are entitled to verify and examine them.

—It is necessary to reduce the number of levels of government administration and the size of staff,

which should be cut by at least one-third. The administrative organs at the prefectural level should be removed. All industrial ministries and their subordinate regional industrial bureaus should be replaced with trade societies. The trade societies, whose role it is to strengthen the ties between enterprises in specific trades and the government, constitute a third control mechanism besides the market mechanism and state intervention. While they represent the interests of their own trades and influence the government policymaking and legislation, they also bear the responsibility to support the government's formulation of macropolicies.

**Party and government organs should be strictly prohibited from engaging in business and running any kind of company. All existing companies should be disconnected from their parent organs. Activities for "making extra money" organized by government organs and various kinds of nonprofit institutions in all sorts of names should not be encouraged.**

—**Cadres at and above the level of provincial or ministry leaders cannot assume full- or part-time positions in any type of companies after retiring from their official positions or their work.**

—**The children of high-ranking cadres should be firmly prohibited from engaging in business. The decision made by the CPC Central Committee and the State Council on 28 July 1989 should be reiterated, that is: The spouses, children, and children's spouses of the members of the CPC Central Committee Political Bureau and Secretariat and of the members of the State Council standing conferences [chang wu hui yi 1603 0523 2585 6231] may not engage in business activities in the circulation field and may not take up full- or part-time posts in companies in the circulation field. This stipulation should apply to the spouses, children, and children's spouses of retired CPC Central Committee and State Council leaders.**

What needs to be explained here is that, even with the introduction of the high salary system for bureaucrats, a small number of officials may still become corrupt and they will not be satisfied with just 80,000 yuan or 100,000 yuan. They must be punished and sternly handled according to law.

5. **The Army should be strictly forbidden to engage in business and it is necessary to "maintain the Army with regular revenue."**

Whether the Army should feed on the revenue or "engage in business" is not a question for debate in a modern country. But it has been a controversial point in China.

We believe the Army should only feed on the revenue and should never "engage in business." It is necessary to "maintain the Army with regular revenue." National defense belongs to public goods that cannot be divided up or sold on the market. It must be provided by the

government (mainly the central government). In a modern country, the government should provide public goods, especially national defense expenditures, through public spending with compulsory taxation. "Maintaining the Army with regular revenue" is an international practice. The international experience indicates that to allow the Army to engage in business means giving the "green light" to corruption in the Army.

Since the beginning of the 1980's, the Chinese Army has been deeply involved in large-scale business activities. It has gone so far that at present, all the three armed services, the General Staff Headquarters, the General Political Department, the General Logistics Department, all field armies, and all provincial military districts are, without exception, involved in running companies and making extra money to compensate for the serious shortages in the military budget. As a result, the commercialization, localization, and corruption of the armed forces has accelerated. Cadres in the Army have been quite critical of this but the central financial power is very low. Though China's GNP has more than doubled since 1978, it is still incapable of feeding an army of 3 million. The central government, unable to do anything about it, keeps asking the Army to hold out and allows it to engage in business and find unofficial sources of income. This is a sign of serious neglect of duty on the part of the central government and a very shortsighted measure that could destroy the Great Wall and sow a seed of turbulence and unrest for the future China. Some leaders became aware of the severity of this problem a long time ago and do not agree with these practices. In view of this, we would like to offer the following suggestions:

—**The army should be strictly forbidden to engage in business. All kinds of companies owned or co-owned by the army, including the army's own farms, should all be removed and their assets transferred or auctioned off. The Army should not take part in any kind of profitmaking economic activities of localities and the troops stationed in a place may not accept any kind of donations, contributions, or living subsidies from local authorities.**

—**It is necessary to raise military expenditure by a big margin and "maintain the Army with regular revenue." The ability of the central treasury to absorb revenue must be energetically improved to feed the Army, then the police, and finally, officials and professors. All military expenditure should come from allocations by the government treasury which should cover the spending on routine army operations in peacetime, i.e., ensuring that the growth rate of the actual income of army personnel is slightly higher than that of the average income of the residents in the whole country; ensuring the maintenance of weaponry and equipment; accelerating depreciation compensation; updating equipment; covering the expenses of combat training; and making up for the shortages in military funds by way of special withdrawals during wartime.**

The measure of "maintaining the Army with regular revenue" can be implemented in two stages. The first stage is "maintaining the regular army with regular revenue," i.e., strictly banning business activities in field armies and navy and air force combat units, which should be maintained with central government funding. The second stage is a strict ban on business activities in the whole army, which can be called "maintaining the whole army with regular revenue." In our opinion, even if it means having to invest in fewer big projects and cut several hundred development zones, we should still maintain the Army. In fact, the phenomenon of "relaxation" in China's taxation system is serious and a large amount of tax is uncollected. In 1992, the percentage of revenue in the GNP of Jiangsu and Shandong Provinces was, shockingly, only 8.3 percent and 9 percent respectively. Taxation is like squeezing a sponge and the water (money) can be squeezed out by strict tax collection to compensate the serious shortage of military expenditure.

—Some of the national defense public goods can be produced by the market. As one of the most important public goods, national defense must be provided by the central government. However, some of the national defense public goods, such as army provisions and foodstuffs, medicines and medical apparatus, military uniforms and military supplies, airports, roads, some buildings, equipment and instruments can be produced by the market and manufacturers. The military can place orders for competitive bidding and the manufacturers produce the requested products, so the Army does not have to be "self-sufficient" and take care of everything it needs. The General Logistics Department is just a big buyer and decides what to buy from the market, rather than what to produce, except for facilities and equipment which involve military secrets. It is most effective to let the market produce some national defense goods and it will also save a considerable amount of management spending and national defense expenditure.

—Most of the ordnance industry enterprises should be separated from the system of the regular armed forces to reduce the size of the noncombatant elements of the army. Only an extremely small number of core enterprises in the ordnance industry having high security ratings can be kept. The scientific research units in the ordnance industry should follow suit. A ministry of ordnance industry should be formed on the basis of the State Commission of Science, Technology, and Industry for National Defense, reporting to the State Council. It should specialize in the development and production of weapons and equipment and enter into a buyer-seller relationship with the military. The new mode in the context of the market economy in future is that the central government provides money to maintain the Army, the military places orders for goods, and the ministry of ordnance industry produces the goods. As to equipment other than weaponry, the military can invite bidding from society at large and place orders with the winner.

—The tasks of the Army should be redefined and non-military expenditures which pose a burden on the Army should be cut down. In the revolutionary period, the Army played multiple roles and had to perform various functions. The army was not only a combat force but also a production force. Under the objective circumstances of that time, the Army would not have been able to survive if they had not "used their own hands and supplied themselves with ample food and clothing." But, in modern society, it is inappropriate to give the Army too many functions, too much responsibility, and too heavy a burden. Its important function is protection of national defense. It is a combat force but not a production force. An army is an army. It is not an industrial army nor the main body of economic operations. It should not take part in any market economic activities, such as market-oriented productive activities and operations, let alone activities that make staggering profits or illegal activities, such as smuggling cars, reselling arms and ammunitions at a profit, running deluxe hotels, and speculating in real estate. It should not participate in local economic construction as unpaid or cheap labor, which poses additional financial burden on the Army and undermines the Army's spending on military training. It should not undertake social service functions, such as running nurseries, primary and middle schools (except on islands and military bases), shops, post offices, and community compounds. Naturally, however, helping with rescue operations and relief provisions during natural calamities is one of the functions of the Army and this is true with the armed forces of all countries. This is one public service that the Army renders to the society on behalf of the government. This service does not cost the society anything but the government must give the Army appropriate compensation out of disaster relief expenditure.

Of the abovementioned five major reform measures, the last two demand the consumption of large amounts of government resources and the premise to them is to enhance the state's ability to absorb revenue, i.e., raising the percentage of the government revenue in the GNP and raising the percentage of the central government's income in the total treasury revenue. The second and third recommendations for the structural reforms do not require the consumption of large amounts of government resources and will only cause a certain reduction in the tariff revenue. But, because they will stimulate technical importation and promote the competitiveness of domestic enterprises, greater benefits can be obtained. By breaking trade monopolies and ensuring fair competition, the social transaction costs can be greatly lowered. The first reform measure will bring considerable returns. When the credit interest rate is closing ranks with the market interest rate and bringing huge profits for commercial banks, the government can obtain a rather large amount of resources through such avenues as profit and tax collection.

Whether or not we can put an end to corruption is a yardstick of whether or not a political system is institutionalized and efficient. We believe that eradication of corruption by creating new systems depends not only on the progress of the economic structural reform but also on the progress of the political structural reform and the development of socialist democracy and politics. In view of the fact that China's political development is lagging behind economic development and the political structural reform is lagging behind the economic structural reform, carrying out the political structural reform in a vigorous and steady manner should be the key point in the design of reform proposals for the next stage. This will involve other major reform measures, such as the division and balance of political power; the division and definition of political functions (including those of the central government and local governments); the streamlining and reorganization of government organs; introduction of the civil service system and improvement in the quality of officials; strengthening of the supervision system and formulating "dogmas"; strengthening of the judicial system and its independence; improvement of the legal system and related rules and regulations; and materialization of the role of media supervision.

#### Postscript

What is most worrying is that corruption has become the greatest social pollutant in today's China. It is the most likely element which can ruin all the achievements made so far in China's reform and opening up, terminate China's economic takeoff, and delay China's modernization process. This is the ultimate reason why we wrote this report. This report is not commissioned or sponsored by any organization and is purely a product of the conscience of Chinese intellectuals and their concern for the long-term interests of the Chinese nation.

Obviously, the legitimacy of the third-generation leadership lies in whether or not they have the courage to combat corruption, whether or not they show efficiency in combating corruption, and whether or not they will truly honor their promise to a population of over 1 billion. The people are watching! The people are waiting! The people are making a choice!

This report sets forth an important approach to the eradication of corruption by way of creating new systems and a tentative package of five major measures for making innovations in the systems. We are fully aware that each of these major measures directly touches some special interest groups and will bring adjustments to the existing interest pattern. Regarding special interest groups, we should recognize them, restrict them, and standardize them. Naturally, however, the anticorruption operation, be it an institutional one or an ethical one, is bound to encounter opposition and obstruction from various quarters. Nevertheless, the anticorruption operation is now like a "boat sailing against the current which must forge ahead or it will be driven back."

To think about what others are unwilling to think about and to say what others dare not say is one of the signs of maturity of the new generation of Chinese intellectuals. In this report on the national conditions, we look at the worst possibility and sound a warning about the worst possible result: If we fail to check the ever-deteriorating corruption tendencies, the Communist Party may break down, not because of external factors, but because of an internal factor, namely, institutional corruption, thus once again terminating China's modernization process. As China's scientists, we do not wish to become successful prophets and are willing to make unremitting and painstaking efforts to stop this worst possibility from coming true.

We wrote this report with heavy hearts. Being concerned about the country and the people is the nature of Chinese intellectuals. As early as over 2,000 years ago, Confucius said: "Scholars are bent on the Great Way." His disciple Zeng Can developed and enhanced this idea of his, saying: "A scholar cannot be without breadth of vision and vigorous endurance. His burden is heavy and his course long. Perfect virtue is the burden which he considers it is his to sustain—is it not heavy?! Only with death does his course stop—is it not long?!" We are fully aware of the arduousness of our mission and the length of our course but, we have no choice! The challenge facing the Chinese nation is extremely grim and the development opportunity we have is almost the last one and there is only one way out left for us. Seeking development through reforms and ensuring the success of reforms by combating corruption is the road that China must take in its effort to become a strong nation in the world.

#### Journal Exposes Shenzhen Pirate Disc Factory

*HK0103141394 Hong Kong YI CHOU KAN in Chinese No 207, 25 Feb 94 pp 38-40, 42, 44, 46, 48*

[("Cover Story" by Chen Chia-yao (7115 0857 5069): "Supergroup Produces Pirated Laser Discs"—first five paragraphs are YI CHOU KAN introduction]

[Text] The famous Xianke [0341 4430] Group in Shenzhen has very powerful backing and was once given a lot of support by Li Peng. It is the only manufacturer of laser discs in the whole country.

Ye Huaming [0673 5478 2494], chairman of the board of the company, is the son of Ye Ting [0673 2185], an early-day CPC leader. He worked in the national defense sector for many years.

According to the findings of YI CHOU KAN, Xianke uses its sophisticated equipment to produce laser discs without copyright for Hong Kong manufacturers, provided that the Hong Kong manufacturer produces a document claiming that it holds the copyright. Xianke can also undertake commissioned sales through its massive distribution network.

A staff member of the factory said: Because Xianke "has a backer in the central government," it is not afraid to do this!

However, at a formal interview with this reporter, Xianke's general manager denied it.

The car comes to a crossroads and the buildings of Xianke Laser Group can be seen from a distance. Making the company worthy of its reputation, the building is tall and imposing, with a chic exterior design. A huge triangular logo on the wall gives the air of a large sophisticated factory.

This factory has very powerful backing. Ye Huaming, chairman of the board, is the son of Ye Ting, one of the early-day CPC leaders, and a foster son of CPC Marshal Nie Rongzhen. He has been like a "brother" with Li Peng and the two of them played together until they grew up. His real brother, Ye Zhengda [0673 2973 1129], holds a high position in the Commission of Science, Technology, and Industry for National Defense, an organization with a mysterious background.

At the moment, there is only one company in the whole of China capable of producing laser discs and that is Xianke. This is why Deng Xiaoping also inspected this factory during his tour of southern China in 1992.

But recently there has been some information claiming that Xianke is producing laser discs that have no official copyright for foreign firms and is also distributing them on a commission basis.

#### We Cannot Make Pirated Copies

To verify this matter this reporter, in the name of a company, went to Xianke's operation department and, without beating about the bush, told them that he wanted to have a batch of laser discs "without copyright" produced.

"We are a newly founded company in Hong Kong. We want to have some laser discs made for sale in Southeast Asia but we do not have the copyright for these laser discs. We want to have them pirated. Is it possible?"

"This is impossible. We cannot do this!" he shook his head and said. Then quickly he added: "We have a big name (company reputation). We cannot do these things. We cannot take the responsibility!" The person who received this reporter was a Mr. Zhu [2612], manager of the operations department of Xianke Company.

He sat down and took a good puff at his cigarette. He slowly blew the smoke out and his tone changed. "But, as long as you have a proof of copyright, we do not care (about the rest of the matter)."

"We want to copy laser discs but we just do not have any copyright proof."

#### There Are Over-the-Table and Under-the-Table Copyright Proofs

"This can be done either on the table or under the table. On the table, our company cannot do this kind of business. But under the table, we can pretend we know nothing about it and process products with imported materials to order," he whispered, his hand covering half of his mouth.

"What I am saying is, though we know it is pirating, we will not take the responsibility. Do you get the point?"

He then added: "We know nothing about your company and probably cannot find out where you are at all. We also do not know if your company exists or not. But we do not care about this. As long as you give us a written claim to copyright, stamped with your company seal, it is okay."

"Is it really okay, even if we do not hold the copyright of the laser discs?" this reporter asked again.

"Of course it is okay. Our company does not care whether or not you really hold the copyright of the programs on the master discs. We are only responsible for processing imported materials and do not worry about anything else," he emphasized.

"If you write a proof of copyright, stamped with your seal, sign a contract with us, and pay a 50 percent down payment, we will deliver the goods at the agreed time."

#### Taking Care of Everything Concerning the Job

It takes only around two weeks from placing an order to the delivery of goods, he said. As business is good at the moment, the order books are full till March. For this reason, an order must be placed as quickly as possible.

He patiently explained to this reporter the calculations for every section. An order for at least 3,000 copies should be placed each time because the production cost for each piece is 128 yuan. The price is negotiable for mass production and could be 120 yuan for an order of 5,000 copies.

"Can a disc purchased from a shop be reproduced?"

"Sure, so long as the laser disc is original, of good quality, and not a reproduction. We can find someone to make a master copy."

"Where can it be made?"

"You don't have to bother about that. We can find some friends locally or figures from high-tech companies in other provinces. A master tape can be made in a week or so at the price of HK\$40,000 to HK\$50,000 (Hong Kong dollars)."

"What about the cover and package?"

"We can make the covers for five yuan each. The reproduction, which includes the trade mark such as

Polygram, Fitto, and patterns, will be exactly the same as the original." He explained with a smile: "If the reproduced copies are sold with the original ones, no one will be able to distinguish the original from the reproduced ones."

He also proposed reproducing from Fitto rather than Polygram because management of the latter was stricter than the former. Our request to reproduce songs from different discs could also be met.

#### Willing to Sell 1,000 Copies for Us

"An order for Karaoke discs is generally 3,000 copies. We can sell 1,000 for you in the domestic market."

"Where would you sell them."

"You do not have to worry about that. We have connections with a number of provinces, including Karaoke boxes, commercial arcades, and shops."

He said that production of a film disc is the same as that of a Karaoke disc. As the market for film discs is limited, they usually receive orders for 1,000 each.

#### Delivery of Goods is Safer in Macao

"When the discs are reproduced, where will they be delivered?"

"The goods are delivered in Shenzhen. You have to go through the customs and that is not our responsibility." He said, after some hesitation: "It will probably be rather difficult to go through the Hong Kong customs. The companies which have placed orders in the past have usually left from Macao because the customs there can be easily passed without trouble. When the goods arrive in Macao, they can be shipped directly to Southeast Asia, bypassing Hong Kong customs."

"Upon your request, we can deliver the goods to Zhuhai but you will still have to go through customs in Macao."

#### More Pirated Laser Discs Are Finding Their Way into Hong Kong

The number of pirated karaoke laser discs impounded by Hong Kong Customs has been rising. Early this month 6,000 laser discs worth \$3 million were seized; 10,000 were seized late last year.

Pun Yeung-kong, Custom's Bureau of Copyright and Trademark Investigation chief, said these laser discs came from Southeast Asia, Taiwan, and South Korea. There were no indications of massive inflows of pirated mainland discs into Hong Kong, although he could not rule out the possibility that crafty merchants sold pirated discs overseas via Macao before they were imported into Hong Kong, trying to divert attention through this tortuous route.

He said Hong Kong Customs has obtained some information on illegal laser and compact disc copying by mainland factories and has provided such information

to mainland customs. But it is not for the Hong Kong Customs to decide how this matter should be handled.

#### Matters Are Made Easier with Connections Within Beijing's Officialdom

By this time the manager was obviously in high spirits. This reporter asked him: "You must have invested quite a lot for such an operation?"

"We sank about 7 to 8 billion yuan into it!" said the manager, taking a company manual from a cabinet. "We are the only one capable of making laser discs and laser disc players in the mainland. Look! Deng Xiaoping visited us on his southern inspection tour... Li Peng, Jiang Zemin, Zhu Rongji, Zou Jiahua—all of them have visited us."

He said with glee: "Our president is Mr Ye Huaming, Ye Ting's son."

"Has being in this business ever worried you?"

"No, we have connections in Beijing. Matters are made easier with connections within Beijing officialdom!" Then he lowered his voice whispered: "Hurry up if you want to place an order. We've heard that the central authorities are going to hit hard on copyright piracy. Things might not be as good then and we may have to stand watching the money flow passing us by."

He said Xianke has high productive forces, annually churning out 5 million compact discs and possibly 1.5 million laser discs. The output is quite astounding.

During this reporter's "business conversation" with the manager, he screened a Hong Kong production "Moonlight in Tsim Sha Tsui East" for the reporter, saying his company owned the copyright of this movie. But according to the producer of this movie, Cheung Kuen, the movie had never been distributed in the mainland, much less selling the copyright to Xianke.

Investigations show that Ye Huaming is closely connected with the National Defense Ministry. He himself worked in its Fifth Research Department for many years. The research department was founded by his foster father, Nie Rongzhen.

#### Hailed By the National Defense Sector

Ye Huaming's brother, Ye Zhengda, has also worked in the national defense sector for many years. He is now deputy director of the Science and Technology Committee of the Commission of Science, Technology and Industry for National Defense.

Ye Huaming and Li Peng are both descendants of revolutionary martyrs but were adopted by "heavy-weights" of different ranks (Li Peng's foster father is Zhou Enlai). They knew each other as boys, grew up together, and are very nice to each other. These "sons of Heaven" who emerged powerful at about the same time have formed a tight relationship network.

### Vigorous Support From the Leadership

For this reason, Ye Huaming has had vigorous support in the few years during which he has tried to make Xianke Corporation a success. For instance, when the corporation found the expenditure of importing a Phillips production line exceeded the budget, Ye went to Beijing to talk with Li Peng. As a result Xianke obtained appropriations from Beijing for its production line purchase.

Li Peng also personally attended the ribbon-cutting and inscription opening ceremony for Xianke.

There have been visits in the past few years from high level leaders such as Jiang Zemin, Zhu Rongji, Zou Jiahua, and Liu Huaqing, greatly enhancing its goodwill.

### "We Will Never Be Involved in Copyright Piracy!"

In an interview with this reporter, Tang Shaokai, Xianke Corporation general manager, firmly maintained that they would never be involved in copyright piracy and hoped to join hands with Hong Kong in cracking down on it.

"Is there truth in references overseas that your company accepts orders for making pirated laser discs?"

"We offer processing and assembly services. But we always demand proof of copyright, that is effective certification, before we accept orders. We will not accept any without such proof."

"What is effective certification?"

"That is the copyright has been purchased; or you have signed a copyright contract. That is, for example, this movie is a production of a certain film distributor. We cannot take manufacturing orders without such proof."

"If we produce a sheet of paper stating, say, we own the copyright of this laser disc. Will that do?"

"In principle, no," Tang Shaokai replied swiftly. "Why? Because a statement written by you cannot prove that you have the copyright."

"Does your company closely monitor processing and copyright?"

"It should be so. In general it is pretty tight," he replied quickly.

"What are your feelings and response to claims by some Hong Kong and overseas companies in the same industry that your company is taking orders to make pirated copies?"

"Well, right now I don't quite know how to make a response. Under individual circumstances, it is possible that such a thing has happened. It is possible that the copyright proof was fake and we did not discover it. We only have a few people who are knowledgeable in this area so such a thing may have happened. But we will

never deliberately involve ourselves in copyright piracy," Tang Shaokai replied.

He also said agitatedly: "As an entertainment company, we hope that the publishing firms in Hong Kong and the mainland can join forces. Because copyright piracy has also given us great pressure and made an impact. We hope that the two sides can come together and talk about this problem."

### Ye Huaming Has Worked For the Ministry of National Defense for 20 Years

As a child of a revolutionary martyr, Ye Huaming has always enjoyed special considerations ever since his early childhood. He was sent to study in a military aeronautical institute in the Soviet Union in 1953 and has worked in scientific research organs under the Ministry of National Defense for over 20 years. He came south to Shenzhen and worked as director of the city's Scientific Committee as early as 1983 when Shenzhen began practicing the open-door policy.

Not long after he came to Shenzhen, however, Ye Huaming gave up his official career with the government and engaged himself in the enterprise sector by setting up Xianke Laser Limited.

An open-minded man as he is, Ye Huaming used to fiercely criticize the bureaucratic structure of the Shenzhen Government; he also believes that Shenzhen can "change" politically by further carrying out the political reform.

### Hong Kong's Film Producers Suffer Heavy Losses

A great many small-scale video-producing factories on the mainland are engaged in illegally reprinting large numbers of films produced in Hong Kong. Hong Kong's film industry is been very concerned about the current situation and has estimated the losses already incurred through piracy at hundreds of millions of Hong Kong dollars. Ma Feng-kuo, deputy director of the Hong Kong Film Industry Association, recently revealed the seriousness of the matter to the Chinese authorities during his trip to Beijing with a delegation.

He said: "We have disclosed our opinions to the Ministry of Culture and the Ministry of Radio, Film and Television, telling them that many small factories on the mainland have been involved in the illegal production of video tapes and laser discs of Hong Kong-produced films. However, since most of these factories are shielded by local governments, the central authorities have not, till this day, been able to find effective measures to check such a situation."

### Films With False Copyrights Run Rampant in Mainland China

Holding a pile of video tape covers of pirated films, Ma Feng-kuo shook his head: "We have in our hands reprinted video tapes of at least several dozen Hong Kong-produced films, yet all of them have obtained both

licenses and projection permits issued by the Ministry of Culture or by the Ministry of Radio, Film, and Television. However, since none of the the copyrights of any of these films has ever been sold to the mainland, we can say for sure that the copyright certificates held by the manufacturers of such video tapes are all false."

He indicated that illegally reprinted video tapes and laser discs of Hong Kong-produced films are circulating on the mainland through two channels. One is to apply for licenses with the Ministry of Culture or other organs by using counterfeit certificates of copyright so that the issuance and projection of pirated video tapes and discs can be "legalized," while the other is to illegally reproduce films in large numbers and then circulate them through underground channels.

#### **Hong Kong Film Producers Are Faced With Losses of Hundreds of Millions of Hong Kong Dollars**

This huge illegal market has caused heavy losses to Hong Kong film producers. "There are tens of thousands of small-scale cinemas in China with moviegoers totaling hundreds of millions. The total sum would be enormous if one paid only 50 fen a time. Judging by the total number of moviegoers on the mainland, Hong Kong film producers are faced with losses of hundreds of millions of Hong Kong dollars incurred by illegal reproduction."

He said that, because the legal system on the mainland is not perfect and piracy is not considered a crime but a civil disobedience, it is very difficult to strike really severe blows at illegal reproduction. "It is of no use to only impose disciplinary sanctions. The leadership has still failed to give sufficient support to struggles against illegally reproduced films.

"Reproduction of films is something similar to the illegal reprint of banknotes. It is a pity, however, that many mainlanders nowadays do not consider it as being a crime."

#### **Large-Scale Piracy of Karaoke Discs**

Mr. Yang, who is in charge of Polygram Records Limited Karaoke Discs Department, indicated that illegally reproduced Karaoke discs have indeed been found on the mainland. With all the audio and visual effects of the original versions, pirated discs are either intact copies or selections of original discs. One can find pirated discs on the mainland only three to four weeks after the original discs are put on sale in Hong Kong and the former are usually over 100 yuan cheaper than the latter. Things are similarly alarming on Hong Kong streets.

A sales department spokesman for Fitto Entertainment Company Limited noted that no pirated versions of discs produced by his company are found on the mainland and Fitto has not yet begun formal issuing of its discs on the mainland.

#### **'Society of Yellow River Culture and Economy'** **Founded**

*OW0103162194 Beijing XINHUA in English 1420 GMT 1 Mar 94*

[Text] Beijing, March 1 (XINHUA)—A Chinese Society of Yellow River Culture and Economy was set up in Beijing today.

Aimed at promoting patriotic spirit and economic reforms and development in the Yellow River Valley, the society will nurture ties among Chinese and international scholars, experts and noted figures and help collect suggestions and material on cultural and economic development.

It will provide consultant services for local governments, conduct various forms exchanges, edit and publish books, magazines and picture albums, make TV and film programs and introduce the reforms and development in the Yellow River Valley to overseas and domestic viewers.

Chai Zemin was elected president of the society. Peng Zhen, Bo Yibo, Liu Lantao, Ji Pengfei and Chu Tunan were invited to be honorary presidents.

#### **Crime and Punishment in the PRC for 15-28 Feb**

*HK0203033994*

[Editorial Report] The following is a compilation of reports on crime, investigations, trials, sentencing, and other judicial-related activities in the PRC monitored by Hong Kong Bureau during the period 15-28 February 1994. The source and mode of processing are given in parentheses at the end of each entry. Certain reports deemed more significant may have been filed separately, in which case the summary will include the serial number of the separately filed item.

As evidenced by the stories listed below, during the month PRC crime reportage focused on corruption and common criminal activity.

#### **INTERNATIONAL**

A German woman went on trial on 28 February in Tianjin on charges of trafficking nearly five kg of marijuana. Doris Wunsch, 37, was reportedly caught trying to board a ship to Japan from Tianjin on 19 July 1993 with 4.84 kg of marijuana concealed in a double-bottomed suitcase.

At the time of her arrest, Wunsch had, according to Chinese press reports, admitted being met in Beijing by an Austrian man who handed her the double-bottomed suitcase, telling her it contained contraband. The man, later found to be Australian, asked her to carry the suitcase to Japan and gave her an address for a second rendezvous upon arrival. The Australian reportedly left Beijing on 18 July. (Summary) (Hong Kong AFP in English 0457 GMT 28 Feb 94)

The Guangdong Department of Public Security broke up a large drug-trafficking ring composed of criminals from Hong Kong, Guangdong, Yunnan, and Guangxi through arrests over the last two months of 1993. Police arrested a total of 26 suspects, including three from Hong Kong, and seized 17.4 kg of heroin and 1.2 million yuan in cash.

Police in Zhaoqing ran an undercover operation on 2 November and arrested drug traffickers from Hong Kong, as well as a local drug-dealer. The police recovered 16.2 kg of heroin and 620,000 yuan in cash. Later the same day, two accomplices were arrested in Shenzhen and two hideouts in Zhaoqing were smashed.

Further raids were carried out in Yunnan, Guangxi, and Luoding in Guangdong, capturing the ringleader. The drug ring was wiped out with the elimination of the drug route by which the drugs were first brought in from Yunnan and transported to Zhaoqing in Guangdong via Guangxi for later shipment to Hong Kong drug dealers. (Summary) (Beijing ZHONGGUO XINWEN SHE in English 0959 GMT 18 Feb 94)

#### CENTRAL

A national network of over 3,000 courts protecting the rights of children under the age of 16 has been set up since the Law for the Protection of Minors was issued on 1 January 1992. The legislation seeks to abolish school dropouts, child labor, kidnapping, and corporal punishment.

Priority has been given to child kidnapping cases and the pornography trade. More than 8,000 infringements have been reported to the 24 provincial Communist Youth Leagues which have established child protection branches. Over 1,000 of these cases have been handled.

Li Lin, a six-year-old boy from Tianjin, sued his father and stepmother for beating him last August. The local child protection commission took up the case and three months later his parents were found guilty. His father was given two years in prison and his stepmother was sentenced to one year.

However, the law lacks specific rules on its implementation, according to Kang Suhua, professor of law at Beijing University. He says controversies are likely to occur. He states that some of the law's provisions are hard to implement in the absence of an established child legal system. He recommends the drafting of laws on handling juvenile cases and on juvenile courts as quickly as possible. (Summary) (Beijing CHINA DAILY in English 18 Feb 94 p 3)

China has checked rising crime, a Public Security Ministry spokesman said on 22 February in Beijing. Public security officers reported about 1,617,000 cases in 1993, an increase of 2.2 percent over 1992, the spokesman said. About 74 percent, or 1,212,000, of last year's reported cases were cleared up, a rise of 12.3 percent.

The spokesman said about 539,000 of the reported cases were considered major, and the number of thefts involving property worth more than 2,000 yuan (\$230) rose 20.2 percent over 1992. However, the spokesman admitted crime remained serious in a small number of Chinese cities and counties. (Summary) (Beijing CHINA DAILY in English 23 Feb 94 p 3)

#### PROVINCIAL Beijing

On 1 January 1994, 664 policemen began patrolling the Chongwen and Haidian Districts in Beijing. According to statistics provided by the Beijing Municipal Public Security Bureau, from 1 January to 25 February the patrols in Beijing punished nearly 50 people who violated the administrative regulations of social order, detained 44 people, punished more than 100,000 people who violated traffic regulations, apprehended more than 18,000 people who violated the economic order, and solved 46,000 cases for citizens. (Summary) (Beijing ZHONGGUO XINWEN SHE in Chinese 1139 GMT 28 Feb 94) Fujian

Fujian Procuratorate reported that in 1993 it investigated 52 graft cases, a record high, and arrested 15 departmental and bureau-level cadres with the Minjiang Hydropower Project Bureau whose corruption income amounted to 3 million yuan. Zhang Jianping, head of the mineral chemical department of the Fujian Foreign Trade Center Corporation, took \$2.74 million and 640,000 yuan in bribes and embezzled \$170,000 of company funds. Zeng Huiyang, a Construction Bank Fujian Trust and Investment Corporation securities trader, misappropriated 4.7 million yuan, and Huang Dehui, Xinlong City Credit Cooperative director, Zhangzhou, misappropriated 2.4 million yuan. Procuratorate chief Zheng Yizheng revealed that in 1993 his office investigated some 1,000 economic crimes involving over 10,000 yuan and recovered 75 million yuan for the government. (Summary) (Beijing ZHONGGUO XINWEN SHE in Chinese 0674 GMT 23 Feb 94) Guangdong

According to a report delivered by Wang Jun, chief procurator of the Guangdong Provincial People's Procuratorate, to the provincial people's congress on 22 February, 4,246 cases of corruption and other economic crimes throughout the province were handled last year, and 1,670 cases were placed on file for investigation, registering an increase of 27.7 percent over the previous year. Among them, 1,249 cases, or 74.8 percent, involved more than 10,000 yuan.

From August through December, 905 cases of corruption and other economic crimes were placed on file for investigation and 1,036 people were involved. Among these, 677 cases involved more than 10,000 yuan, registering an increase of nearly 20 percent over the previous seven months. Moreover, the provincial procuratorate handled 373 corruption cases committed by party and government cadres and punished 394 people, including 19 cadres at and above the county and department

levels. (Summary) (Beijing ZHONGGUO XINWEN SHE in Chinese 0537 GMT 22 Feb 94)

According to the Shenzhen mayor's office, the office received 221 complaints about public-transport bandits in December 1993, while in the first half of January, it only received 10 such complaints.

Last year, Shenzhen's public security organs filed 569 cases in which people were robbed while in vans and buses, representing an increase of over 100 percent over 1992. To cope with the worsening situation, they sent 1,500 public security personnel and armed policemen to patrol streets, tracked suspicious cars and trucks, and erected checkpoints. From 25 December 1993 to 15 January 1994, they cracked 148 such cases and arrested 415 public-transport bandits and thieves.

According to He Jinghuan, head of the Shenzhen Public Security Bureau, in order to step up blows to public-transport bandits and thieves, Shenzhen authorities have decided to establish a special brigade of 200 people and have requested permission to build up a contingent of 2,500 patrol officers. (Summary) (Beijing FAZHI RIBAO in Chinese 11 Feb 94 p 2)

After publicly burning 2,000 fake police uniforms and insignias on 23 February, Liang Fu, the Shenzhen Public Security Bureau deputy chief, admitted that some units and individuals had been illegally making and using police uniforms and insignias—indirectly helping criminals to impersonate policemen—and reported two city-wide operations last year, during which 23 such units were closed down and their merchandise seized. (Summary) (Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0610 GMT 25 Feb 94) Guangxi

The Qinzhous Intermediate People's Court called a mass meeting on the morning of 26 February to pass a death sentence on Liu Zhengfu, who was escorted to the execution ground and shot.

Liu Zhengfu, a 36-year-old male, was a native of Qinzhous, and was formerly a truck driver of the Qinzhous Earthenware Works. At around 2000 on 13 February, the criminal carried a Soviet-made pistol and broke into some houses in the western district of Qinzhous. He fired the pistol several times, killing three residents and heavily wounding another two. He then headed for the Qinzhous Materials and Equipment Supply Bureau dormitory compound in an attempt to continue his killing spree. There he was subdued by a retired cadre, and apprehended by the public security cadres and policemen.

Liu Zhengfu was found guilty of purchasing a weapon illegitimately and committing murder. He was given a death sentence and immediately executed. (Summary) (Nanning Guangxi People's Radio Network in Mandarin 1130 GMT 26 Feb 94) Guizhou

A major train robbery took place on 22 February on a Zhanjiang-bound train from Guiyang. Some of the suspects were immediately apprehended by the police.

The case involved 63 gang members who began to extort money from passengers as soon as the train pulled out of the Guiyang station, demanding 30-40 yuan from passengers for a seat. Despite a railway policeman firing several shots as a warning, gang members started fighting on two of the cars. In a matter of minutes, a dozen or so passengers were robbed and stabbed. When the train arrived at Zhanjiang, some 100 men, including railway workers and railway and local policemen, took rapid action and rounded up 29 of the gang members, capturing a number of weapons.

Through an initial hearing by the police, it was found that the criminal ring involved some 180 gang members, with only a fraction of them participating in the train robbery. (Summary) (Beijing ZHONGGUO XINWEN SHE in Chinese 1328 GMT 23 Feb 94) Hebei

A major bribery case involving 225,000 yuan was recently cracked in Xingtai, Hebei Province. More than 10 criminals were brought to justice.

From November 1990 to June 1992, Guo Qingmei, director of the power workshop of the Xingtai City Silk Plant, colluded with a self-employed transportation businessman from Xige Village, Shahe City, and issued forged invoices for a total of more than 1,700 tonnes of coal, which amounted to 220,000 yuan. When the auditing department discovered that the amount of coal in stock did not match the amount recorded in the account book, it contacted the procuratorial organ at once. A thorough investigation of their crimes were carried out.

The criminals confessed that they bribed the plant director, the deputy plant director in charge of the purchase of coal, the director and the deputy director of the supply section, the director of the finance section, the person in charge of weighing coal, and the coal inspector to keep their mouths shut and to sign forms concerning the purchase of coal. Preliminary calculations show that the bribes totaled nearly 80,000 yuan. Some of those who accepted the bribes have surrendered themselves to the police. Others, being awed by the might of law, have voluntarily confessed their crimes. (Summary) (Beijing FAZHI RIBAO in Chinese 21 Feb 94 p 2) Hubei

The Wuhan People's Procuratorate has identified several new trends in cases of bribery and corruption in Wuhan:

—The number of cases in which private gain is sought through abuse of political power has increased in party and government organizations, as well as in judicial departments, with 58 such cases involving 64 individuals being dealt with in 1993, including 17 leading cadres at the division level and above.

—Crimes are involving increasingly large amounts of money. Of the 371 big cases handled in 1993, 198 were repeated in the same year. Eleven of these cases involved more than 500,000 yuan, and eight involved more than 1 million yuan.

—A greater number of cases involving economic regulatory departments, and particularly financial departments, have been handled, including 37 cases of bribery and corruption and embezzlement of public funds amounting to 9 million yuan in 1993. (Summary) (Beijing ZHONGGUO XINWEN SHE in English 0917 GMT 28 Feb 94) Hunan

Hunan's courts have punished over 8,000 criminals in a drive to straighten out public order in rural areas in the past two months. Of these criminals, 587 have been sentenced to life imprisonment, death with reprieve, and death. From 20 to 31 January 1994, 14 prefectural and city courts called rallies to sentence and execute a number of criminals who had committed extremely serious crimes.

Among the criminals sentenced to death were Li Hao, Fan Chaohui, Tan Shengli, Zhou Zhengyun, and Li Zhiqiang who, from March to July 1993, robbed passengers on public buses, racketeered and blackmailed in residential quarters, wounded 11 persons, and committed robbery on 14 occasions, thus making over 150,000 yuan. (Summary) (Changsha HUNAN RIBAO in Chinese 16 Feb 94 p 1)

The Intermediate People's Court of Loudi Prefecture, Hunan, has completed the first trial of criminals involved in a major explosion occurring on 28 April 1993. Two criminals were sentenced to death and were deprived of political rights for life, and one criminal was sentenced to death with a two-year reprieve.

In order to retaliate against some cadres in the prefec-tural personnel department, the three criminals used explosives to blow up the cars of the personnel department, causing 170,000 yuan of direct economic losses. (Summary) (Changsha HUNAN RIBAO in Chinese 31 Jan 94 p 1) Jiangxi

Auditing departments at various levels in Jiangxi Province discovered more than 500 million yuan being used in illegal ways when the province's financial and banking affairs were audited last year.

Some 11,902 units were audited, leading to the discovery of 520 million yuan in illegal funds, 77 million yuan of which should have been turned over to the state. It was found that 84 million yuan had been embezzled and 11 million yuan was from illegal appropriations and subsidies.

Some 1,500 infrastructural construction items with a total investment of 4.7 billion yuan were audited, leading to the discovery of 13 cases of corruption and bribery. (Summary) (Beijing ZHONGGUO XINWEN SHE in English 1133 GMT 17 Feb 94)

In 1993, courts at all levels in Jiangxi adjudicated 9,426 criminal cases and punished 12,807 criminals. According to Li Xiuyuan, president of the Jiangxi Provincial Higher People's Court, courts in Jiangxi called a total of 465 judgment rallies last year. He said that of the criminal cases concluded last year, 4,081 were murders, robberies, kidnappings, rapes, and other serious crimes committed by racketeers and gangsters, representing 44 percent of the total.

Courts at all levels tried 652 theft cases and 303 public-transport banditry and theft cases. He said that from September to December 1993, the province tried 517 cases of economic crimes, 90 more than the total of the preceding eight months. Of these cases, 133 were serious cases of corruption, bribery, and public fund embezzle-ment. (Summary) (Beijing ZHONGGUO XINWEN SHE in Chinese 1400 GMT 27 Feb 94)

Last year, procuratorial organs in Jiangxi filed 1,044 cases of corruption and bribery for investigation, 70 percent of which were reported by the masses. Que Guishan, president of the Jiangxi Provincial People's Procuratorate, said that last year, procuratorial organs at all levels across the province investigated 45 officials at and above the county or departmental level and handled 320 persons of various party and government organs and judicial and law-enforcement departments involved in corruption and bribery cases, which accounted for 25 percent of the total. He said that by handling these cases of economic crimes, procuratorial organs recovered over 37 million yuan. (Summary) (Beijing ZHONGGUO XINWEN SHE in Chinese 1314 GMT 27 Feb 94) Liaoning

Four officials have been stripped of party membership and arrested by judiciary organs according to the Lia-oning Provincial Commission for Discipline and Inspection and its supervision organs.

Guan Weiguo, first deputy director of the Shenyang City Committee for Economic Restructuring, city party deputy secretary, and deputy director of its two securi-ties watchdogs, accepted bribes from four publicly listed companies worth 55,000 yuan last January and August. Wang Yanhe, Foxin City Material Supply Bureau chief, was sentenced to death with one-year reprieve for accepting 100,000 yuan in bribes from the Foxin branch of a Shenyang electronic joint-stock company and 120,000 Hong Kong dollars from a Guangdong-based Hong Kong company office between April and November 1992. Li Linuo, deputy director of the Anshan City Planning and Management Bureau Joint Approval Section, demanded and received 39,000 yuan in connection with scrutinizing and approving nine construction projects, and Jin Zhenyong, head of Anshan Grain Bureau Finance Bureau and the bureau housing development company manager, pocketed 150,000 yuan last February and March in a land deal. (Summary) (Beijing ZHONGGUO XINWEN SHE in Chinese 1300 GMT 26 Feb 94) Nanchang

The Nanchang Public Security Bureau smashed an inter-provincial robbery ring comprised of eight students from the North China College of Electricity and Nanchang University, who, led by ring leader Chen Jun, had been stealing cars, computers, cash, and mugging people, netting over 100,000 yuan, in Baoding City, Hebei and Nanchang City, Jiangxi since 1992. The eight were arrested by the Nanchang Special Police Task Force. The case is being investigated. (Summary) (Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0939 GMT 24 Feb 94) Ningxia

According to statistics, Ningxia cracked 7,426 criminal cases of various kinds in 1993, compared to 2,180 cases in 1992. The public security forces rounded up 634 gangs, consisting of 2,426 people, and seized illicit goods and cash totalling 7.572 million yuan.

Between July and October 1993, public security organs across Ningxia cracked 2,463 criminal cases, of which 435 were serious, arrested 1,897 criminals, wiped out 193 criminal gangs which consisted of 714 people, and seized illicit goods and money totaling 2.369 million yuan. Moreover, Yinchuan's public security bureau also succeeded in cracking a number of serious murder, robbery, and drug-trafficking cases. (Summary) (Yinchuan NINGXIA RIBAO in Chinese 8 Feb 1994 p 1) Shaanxi

Recently, the Zizhou County Procuratorate cracked three embezzlement cases. The first involved the party branch secretary of Jiangjia village, Liujiaping township, who embezzled 2,000 yuan and committed other economic crimes. The second involved the director of the Zizhou County Bureau for Township and Town Enterprises, who embezzled 4,500 yuan. The third involved a driver from the Zizhou County Department Store, who embezzled 17,000 yuan. (Summary) (Xian Shaanxi People's Radio in Mandarin 0500 GMT 17 Feb 94)

The Intermediate People's Court of Tongchuan City, Shaanxi, recently completed the trial of 11 accused criminals of a major gang involved in a serious case on 21 May 1993. Five of the leading gangsters were sentenced to death and were deprived of political rights for life. Another four accomplices were sentenced to life imprisonment and were also deprived of political rights. (Summary) (Xian SHAANXI RIBAO in Chinese 27 Jan 94 p 1) On 24 January, the Xian City Intermediate People's Court held a mass rally to pronounce judgment on 13 serious economic offenders involved in seven cases. Liu Huimin and three others were sentenced to death at the first trial, and Deng Lin and other criminals were sentenced to life or fixed-term imprisonment.

The case of Liu Huimin embezzling public funds is the biggest of its kind in Xian since the founding of the PRC. Liu, 61, was the office director of the business department of the Bank of Agriculture in Xian. Starting in 1989, taking advantage of his post, he embezzled public funds on six occasions, totalling 6.15 million yuan, of which 1.55 million yuan had not been returned.

Zhang Chunlu, 35, was a peasant from Mawang Town, Changan County. From November 1988 to August 1989, Zhang and Yan Shengmei (sentenced to life imprisonment) went to Xincai County, Henan Province, and on three occasions purchased a total of 7.65 kg of opium. After processing 4.6 kg of the opium, he sold 17.5 grams for 1,280 yuan.

Zhang Hong, 30, was a former salesman of the Qiangsheng Pharmaceutical Plant in Xian. Between September 1990 and January 1992, taking advantage of his post, he sold over 106,000 yuan worth of goods and packing materials and squandered the money, causing serious economic losses to the state. Liu Huimin, Zhang Chunlu, and Zhang Hong were sentenced to death.

Du Mingqin, 34, was a former accountant at the Northwest Industrial University. Between May 1987 and November 1992, he embezzled over 183,000 yuan of public funds by various means. After his case came to light, he readily admitted his guilt and returned all illicit money. He was sentenced to death with a 2-year reprieve. Deng Lin and embezzler Wu Zhaolong were sentenced to life imprisonment. (Summary) (Xian SHAANXI RIBAO in Chinese 26 Jan 94 p 1) Shanxi

On 17 January, after extensive investigations, over 4,000 public security officers, armed police soldiers, security cadres, and party and government leaders divided into 282 task forces organized by the authorities of Linfen Prefecture and raided criminals. They arrested 591 suspects, smashed 74 gangs, cracked 258 cases, and seized a total of 334,000 yuan in ill-gotten property and money. (Summary) (Taiyuan SHANXI RIBAO in Chinese 9 Feb 94 p 2)

Officers of the Chaoyang District Police in Beijing arrested two criminals and saved three abducted women on 25 February. The arrest was made according to a report from a young woman who was, when looking for a job on the labor service market in Chongwenmen, deceived and abducted by a man from Sichuan and taken to a distant township in Shuozhou, Shanxi on 20 February and then sold to a peasant as a wife for 6,000 yuan. She escaped three days later.

On 25 February, police arrested two criminals from Sichuan and saved two other young women abducted from Sichuan. Police said that since the end of last year, the two men had abducted a dozen or so women workers from Henan, Jiangxi, Hunan, and Sichuan and sold them in distant places. (Beijing ZHONGGUO XINWEN SHE in Chinese 1240 GMT 26 Feb 94)

On 24 December 1993, following 12 days of investigation, the Xicheng Public Security Bureau of Taiyuan, Shanxi raided a gang of 13 robbers. Since last March, wielding daggers and knives, the gang had robbed passers-by on roads of over 30,000 yuan in goods and cash. (Beijing FAZHI RIBAO in Chinese 17 Feb 94 p 2) Xian

According to statistics, last year Xian cracked a total of 202 big cases of economic crime, wiped out 54 criminal

gangs, and arrested 338 criminals, thus saving a loss of over 30 million yuan and recovering 74 cultural relics. (Beijing FAZHI RIBAO in Chinese 13 Feb 94 p 2)

### Economic & Agricultural

#### Trade, Production Statistics Issued for 1993

##### Trade Sees 'Rapid Growth'

OW2802104594 Beijing XINHUA in English  
1018 GMT 28 Feb 94

[Text] Beijing, February 28 (XINHUA)—In 1993, China witnessed a rapid growth in its foreign trade, the State Statistics Bureau said here today.

According to the bureau, the volume of exports in 1993 rose to 91.8 billion U.S. dollars, up 8 percent over 1992, while that of imports increased to 104 billion U.S. dollars, up 29 percent.

China had a trade surplus of 4.6 billion U.S. dollars in 1993, if transactions of imports and exports that involved no payment in foreign exchange were excluded.

It said that the import-export structure was further improved in 1993. The share of mechanical and electronic exports rose while that of traditional primary products dropped.

There was a significant increase in the import of raw materials, machinery and transportation equipment, which were in short supply on the domestic market, it said.

High growth was achieved in the utilization of foreign capital in 1993, it said.

In 1993, China signed contracts involving 122.7 billion U.S. dollars in foreign capital, and actually used 36.77 billion U.S. dollars, up 76.7 percent and 91.5 percent respectively over 1992.

By the end of 1993, some 167,500 foreign-funded enterprises had registered in China, it said.

Furthermore, China promoted economic and technical cooperation with foreign countries last year.

Construction and labor projects contracted in 1993 totaled 6.77 billion U.S. dollars, up 2.8 percent over 1992. The accomplished operational revenue reached 4.52 billion U.S. dollars, up 48.2 percent.

Meanwhile, China received 41.53 million tourists from abroad. Income in foreign exchange from tourism amounted to 4.68 billion U.S. dollars, up 18.7 percent over the previous year.

#### Export Figures to EFTA Countries

HK0702115194 Beijing CEI Database in English  
7 Feb 94

[Text] Beijing (CEIS)—Following is a list showing the value of China's exports to European Free Trade Association (EFTA) countries in January-December 1993, released by the General Administration Of Customs:

	1-12/1993	1-12/1992 (Unit: 10,000 U.S. dollars)
Country and Region	Export	Export
Europe	1,642,859	1,136,425
EFTA	94,685	68,211
Austria	11,503	6,954
Finland	10,360	9,263
Iceland	395	149
Liechtenstein	25	9
Norway	12,064	14,333
Sweden	32,247	21,525
Switzerland	27,870	15,978

#### Exports To Non-EFTA, EEC Countries

HK0702120594 Beijing CEI Database in English  
7 Feb 94

[Text] Beijing (CEIS)—Following is a list showing the value of China's exports to European countries and regions other than EEC and EFTA in January-December 1993, released by the General Administration Of Customs:

	1-12/1993	1-12/1992 (Unit: 10,000 U.S. dollars)
Country and Region	Exports	Exports
Europe	1,642,859	1,136,426
Albania	971	159
Andorra	93	66
Bulgaria	3,642	1,981
Gibraltar	466	550
Hungary	16,502	4,500
Malta	1,228	1,572
Monaco	208	71
Poland	24,837	11,925
Romania	12,005	7,760
San Marino	57	22
Estonia	444	742
Latvia	563	146
Lithuania	306	438
Georgia	493	221
Armenia	504	107
Azerbaijan	128	107

## NATIONAL AFFAIRS

FBIS-CHI-94-041  
2 March 1994

	1-12/1993	1-12/1992 (Unit: 10,000 U.S. dollars)
Country and Region	Exports	Exports
Belarus	2,044	902
Kazakhstan	17,169	22,793
Kirghistan	3,655	1,885
Moldova	41	5
Russia	269,182	233,632
Tadzhikistan	648	195
Turkmenistan	385	409
Ukraine	9,437	8,933
Uzbekistan	4,280	3,889
Yugoslavia	524	1,295
Slovenia	584	-
Croatia	81	-
Czech	7,386	-
Slovak	956	-
Macedonia (former Yugoslavia)	46	-
Bosnia and Herzegovina	0	-
other European countries	-	-

Note: The exports from the former Socialist Federal Republic of Yugoslavia in 1992 was 12.95 million U.S. dollars.

## Export Figures To Latin America

HK0802104394 Beijing CEI Database in English  
8 Feb 94

[Text] Beijing (CEIS)—Following is a list showing the value of China's exports to Latin American countries and regions in January-December 1993, released by the General Administration of Customs:

	1-12/1993	1-12/1992 (Unit: 10,000 U.S. dollars)
Country and region	Exports	Exports
Latin America	177,621	107,596
Antigua	207	59
Argentina	24,769	12,415
Aruba Island	156	385
Bahamas	157	160
Barbados	111	112
Belize	498	246
Bolivia	407	534
Bonaire	4	17
Brazil	19,217	58,109
Cayman Islands	3	4
Chile	20,413	12,815
Colombia	2,437	1,331

	1-12/1993	1-12/1992 (Unit: 10,000 U.S. dollars)
Country and region	Exports	Exports
Dominica	2,086	713
Costa Rica	910	487
Cuba	17,707	20,023
Curacao	159	106
Dominican Republic	3,675	2,017
Ecuador	4,181	1,748
French Guiana	59	48
Grenada	9	8
Guadeloupe	37	23
Guatemala	2,499	1,730
Guiana	487	492
Haiti	59	13
Honduras	2,114	1,025
Jamaica	1,271	847
Martinique	16	18
Mexico	15,569	15,774
Montserrat	14	3
Nicaragua	170	102
Panama	35,013	13,200
Paraguay	2,895	1,132
Peru	6,158	3,547
Puerto Rico	796	559
Saba	2	15
St. Lucia	14	13
San Martin I.	3	12
St. Vincent	5	6
El Salvador	2,228	910
Surinam	422	286
Trinidad and Tobago	868	390
Turks and Caicos Islands	36	13
Uruguay	3,188	1,790
Venezuela	6,530	5,954
British Virgin Islands	9	9
St. Kitts-Nevis	4	4
Other L. A. regions	-	27

Domestic Development Progress Noted  
OW2802102594 Beijing XINHUA in English  
0947 GMT 28 Feb 94

[Text] Beijing, February 28 (XINHUA)—China's 1993 economic and social development contains a host of figures showing the progress made by China in science, education, culture, public and sports.

According to the State Statistics Bureau today, in 1993 some 246,000 contracts on technological transfers were signed, involving transactions valued at 20.76 billion yuan, up 4.4 and 37.4 percent over the corresponding figures of 1992.

Establishment and development of technological markets constitute a major target China strives to attain as part of its economic reform program. This aims at instituting a mechanism for competition, protecting intellectual property, and commercializing scientific research results.

China's scientific and technological force grew in size last year. Financial input into scientific and technical activities was on the rise. The country gained 33,000 key research results including 781 which received state prizes.

Patent offices in China received 77,000 domestic and foreign patent applications. By the end of 1993, the state had approved establishment of 52 state high- and new-tech industrial development zones and 14,000 high- and new-tech enterprises.

In 1993, four more state laboratories of importance were completed, the bureau said.

1993 was also marked by expanded general high education and secondary vocational and technical education.

Progress was reported in implementing the country's nine-year compulsory education program. The enrollment rate of primary school-age children (seven to eleven) was 97.7 percent.

Adult education also experienced good development. Some 5.482 million adults completed basic literacy courses in 1993.

In 1993, 154 films were made, and the number of art troupes reached 2,723. There were 2.795 million hospital beds and 4.117 million full-time medical workers throughout China, including 1.832 million doctors.

In 1993, Chinese athletes won 103 world champions and broke 57 world records in major domestic and international sports events.

#### Domestic Market Figures

OW2802100994 Beijing XINHUA in English  
0928 GMT 28 Feb 94

[Text] Beijing, February 28 (XINHUA)—China has enjoyed the fruits in building a market economy: in 1993, the domestic market of consumer goods flourished, the market for the means of production was brisk and reform in the price system was deepened.

Information from the State Statistics Bureau (SSB) showed that the retail sales of consumer goods last year was 1,223.7 billion yuan, up 26.1 percent (or a real growth of 11.6 percent if increase in price is excluded).

Of this total, sales in urban markets were 717.6 billion yuan, up 31.2 percent, while sales in rural areas were 506.1 billion yuan, up 19.5 percent.

Analyzing by categories of consumer goods, it was found that there were ups and downs among different food items. Among clothing items, the sales of cotton cloth remained unchanged from the previous year, the sales of garments went up 16.1 percent, while sales of woolen piecegoods and silk and satin textiles went down.

Growth by various margins was scored in the sale of all durable consumer goods, except for electric fans, black-and-white TV sets and bicycles.

The total purchase of means of production by materials supply and marketing departments at and above the county level was 742.3 billion yuan in 1993, up 34.6 percent, while their sales were 779.6 billion yuan, up 32.3 percent.

However, the sales of means of agricultural production suffered a fall of 7.8 percent if change in price is excluded.

In 1993, the government strengthened price reform through a series of policies, including freeing the producer's prices for most rolled steel products, cement and coal of state-owned coal mines, raising the prices of crude oil, electricity and railway freight transportation, and further freeing the purchasing and selling prices of grain.

The SSB said that these policies played an important role in adjusting the relatively low prices of basic products and infrastructural facilities and in promoting the establishment of the market mechanism.

However, the overall increase in market prices was rather high, particularly in large and medium cities, and the momentum of increase in the prices of services remained strong.

#### Industrial Production Figures

OW2802094594 Beijing XINHUA in English  
0918 GMT 28 Feb 94

[Text] Beijing, February 28 (XINHUA)—China's industrial production continued its rapid growth in 1993, said Zhang Sai, director of the State Statistics Bureau (SSB), here today.

According to Zhang, China's industrial value-added returns amounted to 1,414 billion yuan in 1993, up 21.1 percent over 1992. Of this total, the growth achieved by state enterprises was 6.4 percent, and that of collective enterprises was 28.6 percent, and of joint ventures, contracted cooperative and foreign enterprises, 46.2 percent. Large and medium-sized enterprises maintained their momentum of steady development, with a growth of 14.1 percent.

In 1993, a balanced growth was registered between light industry and heavy industry, said Zhang. The value-added returns of light industry was 669 billion yuan, up 19.9 percent over the previous year, and that of heavy industry was 745 billion, up by 22.2 percent.

Statistics released by the SSB today showed that the economic efficiency of China's industrial enterprises improved. In 1993, the composite efficiency index of industrial enterprises rose from 89.5 in 1992 to 96.6. The sales ratio of industrial products went up from 95.5 percent to 96.4 percent, the ratio between circulating capital and profits-taxes rose from 10.1 percent to 10.6 percent, the ratio between cost and profits rose from 4.2 percent to 4.7 percent, and the overall labor productivity was up by 19.8 percent.

However, the industrial value-added rate was down by 0.6 percentage points as compared with the previous year, and the proportion of loss-suffering state enterprises expanded from 26.4 percent to 30.3 percent, with their losses increasing, according to the statistics.

The construction industry continued to develop rapidly, said Zhang. In 1993, the value-added returns from this sector totalled 210.5 billion yuan, up 15 percent over 1992. The total floor space of buildings under construction by state-owned construction enterprises was 305 million square meters, an increase of 17.8 percent, with over 100 million square meters completed during the year. The overall labor productivity was 8.5 percent higher than the previous year, and the profits and taxes per capita showed a 4 percent rise to reach 900 yuan.

New results were also achieved in geological prospecting. Statistics showed that 166 mineral deposits were discovered or proved through geological surveys, and major progress was reported in the survey of 90 mineral areas. Reserves for thirty minerals were found to have increased, including rises to 763 million tons of coal, 145 million tons of iron ore, 2.58 million tons of copper ore, and 75.86 million tons of aluminum ore. A total of 7.5 million meters of drilling was completed by the geological surveying industry.

#### Private Firm Expansion

OW2702134894 Beijing XINHUA in English  
1312 GMT 27 Feb 94

[Text] Beijing, February 27 (XINHUA)—China's private firms grew at a record rate last year, with their total number increasing to 238,000, 70 percent more than in the previous year.

According to the latest national sample survey on private enterprises, the total number of employers and employees in such firms reached 3.72 million last year, an increase of 60 percent over 1992.

The survey, which was conducted by China's Academy of Social Sciences (CASS) and a research office of the

All-China Federation of Industry and Commerce, is designed to look at the development of the much-talked-about private firms.

Researchers said that questionnaires were answered by owners of 1,432 private firms.

The survey said that these firms' registered capital totaled 68 billion yuan last year, twice as much as the previous figure. Registered capital per firm also increased by 80 percent to 268,000 yuan.

The results show that the private firms are expanding in terms of financial strength and business scale.

The survey also found that about 40 percent of private firms are very profitable, 20 percent are fairly profitable, and 30 percent could make ends meet, while 10 percent are operating in the red.

By last June, private firms each with assets exceeding one million [as received] numbered 4,072, compared with only 885 in 1992. In some areas, the total value of assets in individual private firms exceeds 10 million yuan or even 100 million yuan each.

The survey, headed by CASS senior researcher Zhang Houyi, also concluded that by last June, limited companies had increased by nearly four times over the same period of the previous year, and firms engaging in service trade had increased drastically.

#### Agricultural Production, Forestry Figures

OW2802094194 Beijing XINHUA in English  
0840 GMT 28 Feb 94

[Text] Beijing, February 28 (XINHUA)—China achieved a good harvest in agriculture and a sustained growth in crop cultivation, forestry, animal husbandry and fisheries in 1993.

According to Zhang Sai, director of the State Statistics Bureau (SSB), the value-added returns from the agricultural sector for the whole year amounted to 665 billion yuan, up 4 percent over the previous year.

Statistics released by the SSB here today showed that among yields of major farm products, the output of grain and oil-bearing crops recorded an all-time high. A notable increase was also made in the production of vegetables and fruits. However, the output of cotton and sugar crops declined.

The output of grain was 456.44 million tons in 1993, a 3.1 percent increase over the figure for 1992. The output of oil-bearing seeds was 17.61 million tons, up 7.3 percent compared with 1992.

According to Zhang, new progress was made in forestry. The new afforested area in 1993 was 5.89 million hectares, with improved quality. The state key forestry projects made noticeable headway, and measures against forest fires and forest diseases were reinforced. Both the

forest area and forest stock increased, resulting in a continued rise in the forest coverage rate.

Animal husbandry developed steadily, and the production of meat, poultry, eggs and milk and the number of livestock continued to grow, Zhang said. The output of meat was 37.8 million tons in 1993, up 10.2 percent compared with the figure for 1992.

Further improvement was made in the conditions for agricultural production, according to Zhang. By the end of 1993, the aggregate power of the country's farm machinery reached 318 million kilowatts, a growth of 4.8 percent over the figure at the end of the previous year.

Rural consumption of electricity in 1993 was 125.3 billion kilowatt-hours, up 13.2 percent compared with that of 1992. Meanwhile, irrigation and water conservancy facilities in rural areas were further reinforced, with a newly added acreage of 924,670 hectares of farmland under effective irrigation systems.

However, Zhang said, the unauthorized use of cultivated land for other purposes still prevails, thus posing a threat to the stable growth of agricultural production.

#### Mineral Exploration Noted

HK2702040494 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 27 Feb-5 Mar 94 p 8

[By Xie Yicheng: "134 Mineral Sites Discovered or Confirmed in '93"]

[Text] To meet its rapidly growing needs, China intensified the exploration of energy reserves, minerals and groundwater in 1993.

As a result, the Ministry of Geology and Mineral Resources reported 134 sites where industrial deposits of minerals were discovered or confirmed.

The raw materials are oil, natural gas, uranium, coal, gold, lead and zinc, copper and bauxite.

In the meantime, a major breakthrough was made in prospecting for 56 known deposits of gold, copper, lead and zinc, tin, silver, uranium, oil and natural gas.

An official with the ministry's geological exploration department disclosed big increases in the proven reserves of 31 kinds of minerals.

Last year's oil and gas prospecting plan was fulfilled. Also, 800 million tons of coal reserves were verified, 150 million tons of iron ore, 20 million tons of manganese ore, 2.5 million tons of copper, 76 million tons of bauxite and 20,000 tons of antimony.

The results of the oil and gas survey sharpened China's picture of its energy resources, the official said.

The prospecting teams evaluated a legion of oil traps in the remote Tarim and Junggar basins in Xinjiang Uygur Autonomous Region where many wells are highly productive.

In the East China Sea, offshore oil departments drilled a high-yield well that can extract 646 cubic metres of crude oil and 226,600 cubic metres of natural gas a day.

A 30-kilometre-long copper belt was uncovered in Yunnan Province in Southwestern China while a batch of gold mines was found in Northeast and Northwest China.

In addition, geological workers have prospected eight groundwater sources in Tianjin, Shandong, Guangxi, Sichuan and Shaanxi with total explorable reserves of 600,000 tons.

And the discovery of huge water sources in coal-rich Shanxi Province and the Inner Mongolia Autonomous Region has also allayed acute water shortages in these energy bases and permitted further development.

In the Tibet Autonomous Region, a 262-centigrade geothermal well was dug to a depth of 2,006 metres. The well, the hottest of China's high-temperature geothermal wells, lays a solid foundation for installation of 10,000-kilowatt electricity generators.

#### Foreign Exchange Markets To Link Up in March

HK2802054494 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1215 GMT 25 Feb 94

[("China's Unified Foreign Exchange Market To Go Into Operation"—ZHONGGUO TONGXUN SHE headline)]

[Text] Beijing, 25 Feb (ZHONGGUO TONGXUN SHE)—An authoritative source from the China Foreign Exchange Consultative Service Company has said that the authorities are planning to put China's unified foreign exchange trading market system into operation by early March, at which time Beijing, Tianjin, Shanghai, Hangzhou, and Shenzhen will become the first group of cities to launch pilot projects.

In recent years, various provinces and cities have set up their own foreign exchange swap centers. However, the scope of operation of all these swap centers has been confined to local transactions, thus resulting in a separation between different areas and hindering the rational redistribution of foreign exchange resources. This being the case, the central bank can hardly carry out macroscopic regulation and control of the separated foreign exchange markets with a view to stabilizing foreign exchange rates.

One of the measures stemming from the reform of the foreign exchange management system that was initiated this year is to build an inter-bank foreign exchange transaction market. In the unified foreign exchange transaction market that is to be put into operation this

March, those banks authorized as foreign exchange dealers will be qualified to conduct transactions. Offers from these banks will be entered into a computer, their bids will be processed in a centralized manner, and the transaction center will act as a go-between to accomplish transactions based on the principle of each transaction going to the one who has offered the highest price and who has come first. The People's Bank of China is to announce the reference exchange rate of renminbi to the U.S. dollar every business day according the previous day's closing transaction rate on the foreign exchange market. The renminbi's exchange rate for other major foreign currencies will be calculated based on this reference rate. All other authorized foreign exchange dealer banks are to conduct foreign exchange transactions on their own within a fixed floating foreign exchange rate range pegged to this reference rate. Foreign-funded enterprises can sell their foreign exchange balances through authorized foreign exchange dealer banks on the foreign exchange market.

For the time being, only the above-mentioned five cities will be included in the unified transaction network. After the system has been initiated, another 20 cities will join it sooner or later and will gradually adopt the universally accepted price enquiry and quoting practice for foreign exchange transactions. The central bank will be ready to intervene in the market at any time to maintain a supply-demand balance and to stabilize foreign exchange rates on the market by buying or selling foreign exchange. The spot exchange rate for the dollar at present is approximately \$1 to 8.7 yuan, and it is expected that the renminbi exchange rate will remain stable in the first half of the year.

#### **Statistics Official Views Economic Situation**

*OW0103144094 Beijing Central Television Program  
One Network in Mandarin 1345 GMT 28 Feb 94*

[News conference by Zhang Sai, director of the State Statistics Bureau, with Chinese and foreign correspondents, on "the PRC State Statistics Bureau Communique on Statistics of Economic and Social Development in 1993," at the State Council Information Office on 28 February]

[Text] [Video shows close-ups of a male official reading from prepared notes, cutting occasionally to show group shots of Chinese and foreign journalists taking notes and photographers taking pictures] Zhang Sai said: China made new strides in reform, opening up, and modernization in 1993. The national economy continued to grow, and the people's living standards continued to improve. The major improvements can be observed in the following:

First, gross domestic product [GDP] exceeded three trillion yuan, topping the figure from the preceding year by 736 billion yuan. On a constant price basis, the growth rate was 13.4 percent higher than that of 1992 and was the highest since 1985.

Zhang said: [Begin Zhang recording] The output of major industrial and agricultural goods set record highs, the infrastructure became stronger, the scientific and technological progress was greater, and the state's foreign exchange reserves increased. All this was favorable for achieving sustained national economic growth.

Second, the people's living standards continued to improve, and their incomes continued to grow. In 1993, urban and rural dwellers' incomes grew by 10.2 and 3.2 percent, respectively. The scope of their consumption continued to broaden; and the standards of their clothing, food, spending ability, housing, and transportation continued to rise.

Third, the nation's reforms continued to deepen. The various reform programs carried out around the main goal—namely building a socialist market economic system—continued to deepen during the past year. New progress was made in reforms carried out in rural areas and state-owned enterprises and in reforms relevant to wages, social security, housing system, macroscopic regulation and control, and prices. Fairly significant breakthroughs were made in two areas: 1) The efforts made to rationalize prices through correcting the perennially low prices for primary goods and infrastructure services have played an important role in forming market mechanisms. 2) While exercising macroscopic regulation and control, the nation did away with conventions and achieved positive results and gain valuable experiences from conducting experiments in introducing new measures at the right time and adjusting the degree of intensity.

Fourth, the nation's opening up programs continued to broaden. In 1993 China's opening up programs continued to deepen in all sectors and in all directions. Import and export volumes continued to expand, and the mix of import and export goods continued to improve. The use of foreign capital grew substantially. New records were set both in the number of new accords signed on the use of foreign capital and in the actual amounts of foreign capital used. Fairly substantial progress was also made in developing economic and technical cooperation with foreign countries and in promoting international tourism.

The key economic problems were: The decline of actual incomes of some people owing to rising commodity prices in the market; excessive investment in building fixed assets; and incompatibility between the development of basic industries and infrastructure on the one hand and rapid national economic growth on the other. On the whole, however, the economic situation in 1993 was satisfactory. The new changes appearing in various sectors are favorable for the nation to seize the opportunity, deepen reform, open up wider to the outside world, promote development, and maintain stability in 1994. In 1994, we must continue to implement the guidelines laid down by the 14th national party congress and the Third Plenary Session of the 14th CPC Central Committee;

always pay attention to properly handling the relationships among reform, development, and stability; and continue to intensify and improve macroscopic regulation and control. Priority will be given to appropriately controlling investment in fixed assets and the growth of the money supply and guarding against serious inflation so that the targets set for reform and development this year can be attained. [end recording]

Answering a question on commodity prices, Zhang Sai said: The substantial increase in commodity prices is primarily triggered by demand, especially the high demand for resources needed for investment in fixed assets. Second, it is due to rising costs. This is particularly noticeable as result of the readjustment of the prices of primary goods. Moreover, price increases were also caused by consumers' anticipation that commodity prices would rise, as well as by unwarranted and covert price rises and speculations. Thus, during the transition toward a market economy, it has become increasingly noticeable that market prices have been affected by the law of supply and demand. During 1994, price controls, as an important macroscopic regulatory measure, will still be useful for controlling price rises at a level consumers can tolerate.

In respond to a question about China's economic growth rates in 1994, Zhang Sai pointed out: Seen from the law governing economic cycles, we still can expect a fairly high economic growth rate this year, but the rate will not be as high as those of 1992 and 1993. This is because of the increasingly obvious restrictions from basic industries. The utilization ratios of basic industries are already vary high, ranging from 80 to 100 percent in most cases, and communications and transport services can only satisfy 60 percent of the needs. Because of the restrictions from these bottlenecks, China's economic growth will decline somewhat this year. We must stress, however, that what is important is not high growth, but high economic returns. Continual readjustments will be made until the best point has been found for both growth and returns.

[Begin recording] [Unidentified male reporter] I am reporter from [words indistinct], I want to ask Director Zhang a question. Some people used to think that statistical figures were inflated. This being the case, what positive efforts has the State Statistics Bureau taken or will take to make the figures more accurate? Can you [words indistinct] differences of major figures can be controlled so that they can more credible?

[Zhang] It is a common occurrence for statistics to be confronted with skepticism in varying degrees in all countries. If we observe specific facts, people more often than not approach statistics with skepticism. Macroscopically speaking, however, statistics can basically reflect facts because of the development of statistical sciences. Today when we are moving toward building a market economy, we have accomplished much in the way of reforming our method of processing statistics, and we have adopted some major measures for controlling the

accuracy of statistics. Generally, these reforms and measures are based on 1) science and technology; and 2) laws.

Regarding science and technology, we have, first of all, established a scientific system for processing statistics. This is a scientific, three-in-one system for processing social, economic, and scientific and technical information. This system has functions for controlling and verifying statistics according to requirements. Second, we have a system for assessing the national economic development. This system can process all types of statistics in a way similar to assembling a large machine. If a certain figure does not seem to fit, this figure is considered to be incorrect and must be checked and verified. Third, we have a scientific way to compile statistics. This way is based on a number of methods, but primarily on surveys and samplings. Fourth, we depend extensively on computers which can distinguish correct from incorrect figures. Fifth, we have a scientific management system which can reject interference from various sectors when information is being processed. Because of the development of modern science and technology, we can be sure that our statistics are basically in line with objective facts. In China, where statistical science has not been popularized, it is understandable that people are skeptical of it. Even people in developed countries often express doubts over statistics. I think this is a normal phenomenon.

Then we have to count on laws. In addition to the PRC Law for Statistics, all provinces and municipalities have their own local statistics regulations, by which those who do not report statistics according to state regulations or those who obstruct statisticians from collecting statistics will be punished. So I think you can be confident with our statistics. This is particularly true for statisticians like ourselves. A Chinese saying goes that a melon seller will certainly brag about the melons he sells, but I think our statisticians can take pride in their work of ensuring the accuracy of our statistics. [end recording]

#### Modern Enterprise System To Improve State-Owned Assets

OW0103162294 Beijing XINHUA in English  
0956 GMT 1 Mar 94

[Text] Hefei, March 1 (XINHUA)—A leading Chinese expert said here today that the establishment of a modern enterprise system in China will reinforce the status of public ownership as the mainstay of the economy.

Sun Shangqing, a noted economist and director of an economic research center directly under the State Council, said the Chinese Government will transform some existing large and medium-sized enterprises into joint-stock companies within three to five years.

As for small state-owned enterprises, the management can be contracted out, leased or auctioned, he said.

He said the current reform drive will push these enterprises into the market to become more competitive and to grow into independent legal entities which should have sole responsibility for gains and losses.

He held that the country will maintain macro-control over the joint-stock companies and it can convert income from leasing and selling into investment to launch new state-run enterprises.

### Mining Industry Council Urges Development of Minerals

*OW2702195094 Beijing XINHUA Domestic Service in Chinese 0930 GMT 25 Feb 94*

[By GUANGYE BAO (Mining Industry Paper) reporter Li Hongbing (2621 3163 0393) and XINHUA reporter Li Guangru (2621 0342 5423)]

[Text] Beijing, 25 Feb (XINHUA)—According to the second executive meeting of the first council of the Mining Industry Association held in Beijing on 25 February, China's mining industry is seeking new development by deepening reform and is advancing toward international markets.

The mining industry is a basic industry in China's national economy, including undertakings in coal, the chemical industry, nonferrous metals, construction materials, the metallurgical industry, and geology and mineral resources. China has abundant natural resources and can be considered a major producer of mineral resources. At present, the number of minerals that have been surveyed as being abundant is 151. China ranks third in the world both in terms of the potential value of its mineral resources and as a producer of mineral ores. In recent years, it has considerably raised the output of raw and semifinished materials which depend on mineral products for their raw materials. China's output of coal ores, cement, and glass has been the largest in the world, and its output of steel and nonferrous metals, crude oil, and gold has been, respectively, the fourth-, fifth-, and sixth-largest in the world. Economists made the following comment on the issue: The development of the mining industry has enormously increased China's comprehensive national strength and has laid a material foundation for realizing the second-step strategic objective.

While deepening reform and gearing up toward the market, China's mining industry has been actively seeking international markets. It has been learned that cooperation in marine oil exploration, which is generally concerned with international joint ventures, has continually expanded. The China National Offshore Oil Corporation has signed agreements with 50 companies from 13 countries and regions to open up 560,000 square km of the ocean's area, and foreign companies have accumulatively invested \$3.68 billion of funds. China has made various types of progress in joint ventures to develop mineral resources with Brazil, Mongolia, and South Africa. China has jointly launched more than 30 geological exploration undertakings and surveying projects for mineral resources with 17 countries and regions. More than 20 Chinese mineral surveying teams have entered the international market, and these have contracts for more than 100 projects. China's new nuclear power and nuclear fuel industry has also begun to enter the international market. A Pakistani nuclear power project, which was the first nuclear power plant exported by China, is progressing smoothly.

According to the leaders of relevant departments and commissions and mining industry representatives attending the meeting, even though China has made attention-catching accomplishments in developing its mining industry, it is still facing an arduous situation with many problems and restraining factors obstructing its path of progress. Therefore, they proposed: It is necessary to deepen reform in the mining industry's structure, particularly to enhance reform in enterprise and investment, mining rights, and social security systems.

### XINHUA Correction to State Council's Special Agricultural Product Tax Rules

*OW0103075994*

XINHUA Domestic Service in Chinese at 0349 GMT on 1 March supplies the following correction to the item headlined "State Council's Special Agricultural Product Tax Rules," published in the 15 February China DAILY REPORT, page 45: Column two, table line 10, make read ...cocoons 8 percent... (correcting amount)

## East Region

### Anhui Governor Extends Spring Festival Greetings

OW0103111094 Hefei ANHUI RIBAO in Chinese  
9 Feb 93 p 1

[“Deepen Reform, Accelerate Development, Score Further Achievements—Governor Fu Xishou’s Spring Festival Greetings”]

[Text] Comrades, friends:

As spring returns to the earth and news of victory continually pours in, we usher in the 1994 Spring Festival with triumphant fervor. At the jubilant moment for millions of households, I extend, on behalf of the provincial party committee and the provincial government, Spring Festival greetings to people of all nationalities, commanders and fighters of Liberation Army units, armed police officers and men, and public security cadres and policemen in Anhui; warm regards to comrades staying fast at their posts during the festival; and deep appreciation to all comrades and friends who have contributed to Anhui’s development.

The past year was one in which Anhui witnessed the fastest and most efficient growth of its economy since the introduction of reform and opening up. The gross provincial product totaled 94 billion yuan, an increase of 22 percent. We reaped a bumper agricultural harvest and pushed village and town enterprises to a new stage of development. As a result, the annual per capita peasant income increased 150 yuan to reach 724 yuan. Industry grew at a rapid pace, and high-tech and high value-added products increased by a big margin. Anhui’s ranking of industries at and above the township level rose from 14th to 12th in the country. A number of energy, transport, postal and telecommunications, and water conservancy projects were successively completed and put into operation, thereby building up strength for further development of the provincial economy. We were especially gratified with a breakthrough in enterprise reform. The instant success of the Maanshan Iron and Steel Company, the Anhui Energy Corporation, and the Meiling Enterprise in issuing and listing their stocks on markets resulted not only in the raising of over 7 billion yuan in funds for construction, but also the accumulation of invaluable experiences for establishing modern enterprises. While the economy was developing rapidly, we also made advances in the building of socialist spiritual civilization and various social undertakings to further consolidate political stability and unity. Scenes of vigorous economic growth were seen everywhere on both sides of the Chang Jiang and along the Huai He. Facts have once again borne testimony to Anhui’s conditions for developing faster and more efficiently and to its people’s capability of tiding over any difficulty in their course of advance and of continuously pushing forward the great cause of rejuvenating the province.

This year will be very crucial for us in advancing on the crest of victory to deepen reform and accelerate development. In the coming year, we shall comprehensively implement the guidelines of the 14th CPC National Congress and the Third Plenary Session of the 14th CPC Central Committee and, focusing on the center of economic construction, pay close attention to three major tasks. First, we should go all out to carry out reform, expedite the establishment of a modern enterprise system, energetically promote reform of the fiscal and taxation, banking, investment, and foreign trade systems, and open Anhui wider to the outside world so as to further stimulate economic growth with breakthroughs in reform and opening up. Second, we should bring into play the spirit of tenacious struggle; push on in the flush of victory; exert every muscle to maintain the momentum of sustained, rapid, and healthy economic development; and meticulously organize forces to accomplish the current provincial government’s goal of “achieving vigorous growth in three years and scale a new height in five years” so as to scale a new height in Anhui’s comprehensive strength. Third, we should implement Comrade Deng Xiaoping’s principle of grasping two links at the same time, intensifying the building of socialist spiritual civilization, and continually consolidating and developing political stability and unity so as to create a favorable environment for reform and construction.

The people’s interests and happiness are the starting point of our work in all fields. In the course of deepening reform and accelerating development, party committees and governments at all levels should carry forward the fine traditions of forging close ties with the masses, paying attention to work methods, and improving work style so as to harness the enthusiasm of the masses in reform and construction. It is necessary to always bear in mind the immediate interests of the masses, protect their interests, and do everything possible to solve their practical problems, especially the practical problems of poor areas. I am convinced that, guided by the party’s basic line and through the common effort by the people throughout Anhui, our cause will be invincible.

Looking to our bright future, the people of Anhui shoulder a heavy task. In the coming new year, let us more closely rally around the party Central Committee, with Comrade Jiang Zemin at the core, advance along the road of building socialism with Chinese characteristics, and score fresh achievements in reform, opening up, and economic construction.

Finally may you all have a happy Spring Festival, good health, happiness in family, and good luck!

### Anhui’s Tourism Industry Developing at ‘High Speed’

OW0203100094 Beijing XINHUA in English  
0734 GMT 2 Mar 94

[Text] Hefei, March 2 (XINHUA)—East China’s Anhui Province received 153,000 visitors from both at home and abroad last year.

## REGIONAL AFFAIRS

FBIS-CHI-94-041  
2 March 1994

**Tourism is now one of Anhui's major industries. Most tourist attractions are located in the southern part of the province, where Huangshan and Jiuhuashan Mountains and Taiping Lake are located.**

In recent years Anhui's tourism has been developing at a high speed, with more tourist spots such as crocodile ponds, and monkey and deer islands opened, hotels built and cableways put into operation.

In 1993 Anhui successfully held several tourism festivals, which were also designed for business promotion and to attract investment. Foreign diplomats were also invited to visit the tourism sites.

### **Shanghai Sets Up Industrial Park for Returned Students**

*OW0103013894 Beijing XINHUA in English  
0045 GMT 1 Mar 94*

[Text] Shanghai, March 1 (XINHUA)—Shanghai, China's biggest city, has created an industrial park especially for returned students to set up their own companies.

A spokesman for the Shanghai government said that nearly 400 returned students have signed up investment contracts or tentative agreements with the Shanghai Xinxin Investment Ltd, which oversees the park, located at Songjiang County near Shanghai.

He said that returned students can enjoy preferential treatment on a range of aspects—from paying 1/2 to import of raw materials to use of land.

The charge on use of land is less than half that of other development zones, he said.

Currently, more returned students from Western Europe, Japan and the United States have expressed strong interest in investment here, he said.

### **Shanghai To Increase Vegetable Growing Areas**

*OW0103110994 Beijing XINHUA in English  
0835 GMT 1 Mar 94*

[Text] Shanghai, March 1 (XINHUA)—China's most populous city of Shanghai is expanding its vegetable-growing areas to meet the increasing demand of local consumers.

The city's 13.49 million long-term residents consume about 2,000 tons of vegetables a day.

According to Meng Jianzhu, deputy mayor of the city, Shanghai will increase the area of farmland under vegetables by 2,530 ha [hectares] this year, to bring the total vegetable-growing area to 10,000 ha.

According to Meng, the city plans to build a chain of vegetable and nonstaple-food markets and fairs, and encourage farmers to directly sell their products in urban areas.

A survey shows that the rapid expansion of urban industry has resulted in serious encroachment on farmland in recent years, causing shortages of vegetables in the local markets.

### **North Region**

**Tianjin Secretary Delivers Speech at CPC Plenum**  
*SK1502051194 Tianjin TIANJIN RIBAO in Chinese  
6 Jan 94 pp 1-2*

[“Excerpts” of speech by Gao Dezhuan, Tianjin Municipal CPC Committee Secretary, made at the Second (Enlarged) Plenary Session of the Sixth Municipal Party Committee on 24 December]

[Text] The main tasks of the Second (Enlarged) Plenary Session of the Sixth Municipal Party Committee are: Consider Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics as a guide; comprehensively implement the guidelines of the 14th party congress and the third plenary session of the 14th party Central Committee; study and arrange the 1994 municipal work; discuss and approve the “1994 work priorities of the Tianjin Municipal CPC Committee”; and mobilize the vast number of party members, cadres, and people to grasp favorable opportunities to quicken the pace of reform, opening up, and modernization in the new year.

#### **I. Brief Review of 1993 Work**

In 1993, all fronts in the municipality deeply implemented Comrade Deng Xiaoping's important talks and the guidelines of the 14th party congress, conscientiously implemented the tasks as set forth at the sixth municipal party congress and the First Session of the 12th Municipal People's Congress, unified thinking, quickened the pace of advance, made new headway in various aspects on the basis of the previous achievements, and made noticeable achievements.

The national economy developed in a sustained, fast, and sound manner. The main economic targets could be overfulfilled and the economic growth rate was higher than that in the previous year. Some of them reached peak levels when compared with those in the previous years. Positive achievements were made in macroeconomic regulation and control. The gross national product was expected to surpass 50 billion yuan, an increase of about 12 percent over the previous year and the second fastest growth year since the implementation of the reform and opening up policy. The total industrial output value was expected to surpass 120 billion yuan, an increase of about 24 percent. The municipality made achievements in halting deficits and increasing profits. The rural economy developed in a sustained manner. After combating the serious droughts, we reaped bumper grain harvests for 10 consecutive years. The total output value of town and township enterprises was expected to reach 54 billion yuan, an increase of 36 percent. Markets

were brisk and there were ample supplies of commodities. The total volume of retail sales of commodities was expected to increase by 17 percent over the previous year. The 1993 urban and rural capital construction tasks were better fulfilled when compared with the previous years. A group of infrastructural facilities were completed and began operation ahead of schedule. A total of 2.4 million square meters of new residential houses were built, an increase of more than 600,000 square meters over the previous year. The investment in fixed assets was expected to increase by 32.4 percent. The investment structure was further optimized. The revenues increased by about 20 percent and the revenue growth rate was higher than that in the previous 10 years or so. The urban and rural people's livelihood was further improved.

Bigger strides were made in reform and opening up. Enterprise reform was being deepened. The experiments with various reforms were quickened. Approval was made in 54 shareholding enterprises. The small-sized state-owned enterprises positively carried out the system characterized by state ownership, civilian management, amalgamation, and shareholding cooperation. The trend of setting up markets was good. There were 11 state- and regional-level wholesale markets in the province. The reform of the land utilization system and the housing system was steadily carried out. The social security system started to be carried out. The trend of opening to the outside world was good. A total of 3,500 items on using foreign capital and the relevant agreements involving \$3.5 billion in investment were signed, including \$2.25 billion worth of foreign capital, respectively increasing by 100 percent, 82 percent, and 84.6 percent over the previous year. The municipality made noticeable achievements again on the basis of the achievements made in 1992 when the amount of foreign capital used during the year surpassed the total volume of the previous 13 years. The developmental zones tended to develop forcefully. The major economic targets of the development zones ranked the municipality among the best in the whole country. Bonded areas made noticeable achievements in the introduction of businessmen, development, and construction. The new technology industrial park zones developed in a sustained and faster manner. The twelve small development zones made a good start in development.

Situations in the social and political fields of the entire municipality were also very good. The municipality, as well as various districts and counties, smoothly completed the end-of-term reshuffle of their leading bodies. Party committees and governments at all levels adhered to the principle of "attending to two tasks simultaneously and achieving competence in both" and won notable results in building the spiritual civilization, improving democracy and the legal system, and strengthening party building. Tianjin continued to be one of the areas with the best public security in the country. The anticorruption struggle produced remarkable achievements. Party committees and governments at all levels

established the system to complete work within a definite time and the system for various departments to coordinate in work. Education, science and technology, culture and art, public health and sports, family planning, and environmental protection all made new headway, and an important breakthrough was achieved in producing movies and television programs.

After the publication of the *Selected Works of Deng Xiaoping*, in particular, the vast number of cadres and the masses conducted earnest study of it in line with their thinking and work reality. A new upsurge in the study was created very quickly throughout the municipality, and an encouraging situation in theoretical study unseen for many years emerged.

There were also problems and deficiencies in the work of 1993. Our economic development still lagged behind others, with the growth of gross national product lower than national average and economic efficiency not good enough. Some weak links still existed in economic development and the economic structure had yet to be adjusted more rapidly. Work proceeded in an uneven manner, and some units lacked the sense of urgency and responsibility. On the whole, our gap lies mainly in our inadequacy in the depth in the emancipation of the mind, in the extent of reform and opening up, and in the degree of economic development.

## 2. Unifying Thinking With Comrade Deng Xiaoping's Theory as the Foundation for Successful Work

The year 1994 will be a very crucial year for Tianjin. To win success in the work for 1994 and achieve a significant breakthrough and development, the most important thing is to use Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics to unify our thinking and guide our action. The theory of building socialism with Chinese characteristics that Comrade Deng Xiaoping established inherits, enriches, and develops Mao Zedong Thought, is the Marxism of contemporary China, and is the basic guarantee for achieving success in work and promoting reform, opening up, and the modernization drive. We should conscientiously study Volume 3 of the *Selected Works of Deng Xiaoping* and the "decision" of the third plenary session of the 14th party Central Committee in line with the reality of the current reform and development and further enhance our understanding and unify our thinking concerning the following issues.

A. We should profoundly understand the important idea that "development is the essential criterion" and be more conscious and steadfast in implementing the party's basic line. Comrade Deng Xiaoping emphasized that development is the essential criterion, and that "poverty is not socialism, nor is sluggish development." We should fully understand that, as far as Tianjin is concerned, if our development is slow and economy not promoted in the next few years, the development in various social undertakings will be out of the question, the existing contradictions and problems will become

increasingly conspicuous, and people's living standard cannot be duly improved. This is indeed a major issue concerning the future and destiny of Tianjin and the basic interests of the 9 million people of the municipality and also an urgent and acute issue for the entire municipality. We should embrace a strong sense of development, enhance our sense of urgency and responsibility, and persistently take economic construction as the central task without wavering. Faster development depends on the hard work of everyone. All the people have the responsibility and should feel the pressure, and all departments and individuals should take the initiative in serving this public interest and channel their work to the track of faster development of the municipality.

B. We should profoundly understand the importance of "seizing the opportunity" and become more urgent in accelerating development. Comrade Deng Xiaoping has pointed out on many occasions: "Do not miss the opportunity." For China, there are not many opportunities for effecting a large-scale development." We must foster a strong sense of opportunity. We should profoundly understand that whether we are good at seizing the opportunity is the key question to decide whether we can gain the initiative in accelerating development. The year 1994 provides a hard-won opportunity for Tianjin. When viewed from the current situation at home and abroad and from the situation of Tianjin, there are many favorable conditions for accelerating development, but there are also many difficulties. When viewed from the overall situation, however, we are indeed faced with the historical opportunity of effecting a large-scale development. All comrades must approach this issue from an overall and strategic point of view. Lacking the sense of urgency in seizing the opportunity and in accelerating development means lacking the sense of responsibility for our undertakings. Being unable to seize the opportunity and to accelerate development means bungling major matters and means, so far as leading cadres are concerned, dereliction of duties and irresponsibility for the party's cause and the people. We must seize the opportunity without any delay and slackness so as to bring forth a new vigorous situation of racing against time to accelerate Tianjin's reform, opening up, and economic development.

C. We should profoundly understand the "quintessence" of "emancipating the mind and seeking truth from facts" and should conscientiously break away with all sorts of ideas that hamper the rapid development of the economy. When making an inspection tour of Tianjin in 1986, Comrade Deng Xiaoping demanded us to "take bolder steps and effect a faster development." He also pointed out: "Without the pioneering spirit, we cannot break a good path and a new path and cannot pioneer a new cause." Leading cadres at all levels must even more consciously persist in the ideological line of emancipating the mind and seeking truth from fact and must further emancipate the mind. On the premise of conforming to the standard of "being conducive to developing socialist productive forces, to building up the

comprehensive strength of the socialist country, and to improving the people's living standards," we should dare to reform the conventions that are detrimental to developing the socialist market economy, dare to pioneer the new path for emancipating and developing the socialist productive forces, dare to promote reform and development, and dare to overcome the ideas of sticking to conventions and being content with the existing state of affairs. We should foster lofty ideals, aim high, dare to create a new situation, and resolutely overcome the ideas of blaming god and men and attempting and accomplishing nothing. We should be more urgent in accelerating the development of Tianjin, be more brave in doing pioneering work, be more enthusiastic in dedicating ourselves to the state. We should enhance our morale and work energetically to achieve self-respect, self-improvement, and self-confidence. We should arouse ourselves for vigorous efforts to make the country prosperous, should be bold in making innovations, and should work hard to pioneer new undertakings so as to restore the magnificent view of Tianjin. We should truly achieve dialectical integration in the fields of emancipating the mind and seeking truth from facts. Now that we are doing our best to accelerate economic development, we should accelerate it as fast as possible and act according to our capability in order to avoid losses, serious losses in particular.

D. We should profoundly understand the principle of "taking a two-handed approach and being tough with both hands" and actually build well the spiritual civilization in order to create favorable conditions for accelerating economic development. Comrade Deng Xiaoping has pointed out on many occasions that we should "take a two-handed approach and being tough with both hands." Under the new situation, we should truly have the sense of urgency in two aspects and embark on new stages in two aspects, that is, we should enhance the sense of urgency and the sense of responsibility not only in accelerating economic development but also in building spiritual civilization and should push both economic construction and spiritual civilization construction onto new stages. Leaders at all levels should keep sober-minded, enhance consciousness, strengthen initiative, and strive for attaining new levels in order to ensure the smooth progress of Tianjin's reform, opening up, and modernization drive.

### 3. The Major Tasks of 1994 in Reform, Opening Up, and in Economic and Social Development

The general demands of the municipal work in 1994 are to comprehensively implement the guidelines of the 14th party congress and of the third plenary session of the 14th CPC Central Committee under the guidance of Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics and the party's basic line, seize the opportunity to accelerate the pace of reform, opening up, and the modernization drive, maintain a sustained, speedy, and sound development, strengthen the building of spiritual civilization, promote comprehensive social progress, and achieve breakthroughs and

major development in expediting the establishment of the socialist market economic structure and fulfilling the second-step development objectives.

In 1994, party committees and governments at all levels must concentrate greater energy on accelerating reform and expediting development. They must propose ideas for realizing the work objective of deepening reform, expanding opening up, and accelerating economic and social development, and further deepening the emancipation of the mind; expand the degree of reform and opening up, and adopt major measures; achieve great breakthroughs in all undertakings by making earnest efforts to do practical work and firmly implementing measures; and attain the goal of seizing the opportunity and realizing great development. In work guidance, we must pay attention to grasping five principles well.

First, we should attend to the relationship between the quantity and quality of economic development. We should always persist in taking economic construction as the central task, and concentrate efforts on pushing economic construction forward. In developing the economy, we must have new ideas and realistically channel our ideas to the path of taking enhancement of economic efficiency as the central task. Regarding all economic targets, we must adopt measures to fulfill them with earnest efforts, continue to attend to the work of ending deficits and increasing profits, and through raising economic efficiency, enable financial departments at all levels to collect more revenue, enterprises to earn more profits (money-losing enterprises to further reduce deficits), and the broad masses of workers to increase more income in an effort to unceasingly raise the living standards of the Tianjin people. In developing the economy, we should pay attention to the increase in total supply and demands, raise the quality, exert efforts to readjust the structure, strengthen management, achieve technological progress, and raise efficiency in an effort to combine rate with economic returns.

Second, we should attend to the relations of reform, development and stability. Since development is our aim and reform is the motivation and fundamental way of development, we should cultivate the idea of relying on reform to accelerate development. In addition, we should fully understand that only under the condition of maintaining social stability can reform, opening up, and economic development be smoothly carried out. We should accelerate economic development by deepening reform and expanding opening up. In making arrangements for economic work, we should pay attention to creating a fairly relaxed environment for reform. In 1994, the whole country will make big strides in reform and issue many measures which will involve the readjustment of some patterns of interests. We must do in-depth and meticulous work to prepare for the issuance of measures, properly handle all contradictions and problems, maintain a stable political and social environment, and create good conditions for smoothly promote reform and development.

Third, we should attend to the relationship between advancing the work in an all-round manner and making breakthroughs in some major aspects. The municipality as a whole should make big strides in all fields of work, seek improvements, achieve major progress, and comprehensively promote the work. meanwhile, we should firmly grasp the major work and important aspects that affect the overall situation, and never lose opportunity to seek breakthroughs in some major aspects. In the work objective, the increase of major economic targets, such as the GNP, and all major work should be better than that of 1993; great breakthroughs should be made in major work and some weak aspects; and efforts should be made to maintain a certain level in some aspects and to strive to march towards the front rank of the country.

Fourth, we should handle well the relationship between faster economic development and comprehensive social progress. While accelerating reform, opening up, and economic development, we should attach great importance to the development of various social undertakings, conscientiously strengthen the spiritual civilization, democracy, legal system, and comprehensive management of public security, safeguard political and social stability, maintain coordinated economic and social development, and promote comprehensive social progress.

Fifth, we should handle well the relationship between consolidation and improvement on the one hand and innovation and development on the other. We should greatly value, earnestly persist in, and continuously improve and upgrade the good work foundation, traditions, experiences, and methods that have taken shape in Tianjin over the past many years. We should also continuously achieve innovation and development to comply with the new situation. Regarding the major issues concerning the overall situation and the existing weak links, in particular, we should all the more adopt major measures and open up a new situation.

To meet the general requirements of Tianjin's work for 1994, we should pay attention to the following 15 tasks.

A. We should deepen enterprise reform, transform the operating mechanism, and gradually establish a modern enterprise system.

Accelerating enterprise reform is the most important task for deepening reform. All enterprises in the municipality, especially state-owned large and medium-sized ones, should achieve a breakthrough in transforming the operating mechanism. First, we should continue to thoroughly enforce the "enterprise law" and the "regulations" and delegate to enterprises all the powers and responsibilities they should hold. Second, we should accelerate the reform of the organizational, managerial, financial, and accounting systems of enterprises. Enterprises' inner accounting units should be made smaller based on the actual conditions, and a market mechanism should be established within enterprises. We should

streamline enterprises' inner managerial levels and personnel and comprehensively facilitate and further deepen their reform of the labor, personnel, and wage systems. Third, relevant government departments should change their functions, make less interventions, and provide more service so that enterprise can have a free hand in management. More than 80 percent of Tianjin's state-owned enterprises should meet the requirements on transformation of the operating mechanism by 1994.

We should conduct reform of enterprises' property right system in an active and prudent manner. State-owned large and medium-sized enterprises with sole investor may be reorganized into sole-invested companies when conditions permit; and those with multiple investors may be reorganized into limited liability companies or limited liability stock companies whose stocks are issued to definite units. Some should make active efforts to win state approval for reorganizing themselves into limited liability stock companies which issue stocks publicly to society, including foreign countries; others may cooperate with foreign firms to establish limited liability companies or limited liability stock companies; and still others may institute the cooperative shareholding system. New or expanded enterprises should adopt the new mechanism and enforce the company system. We should actively develop the enterprise groups linked mainly by property right and should expand the merge and cooperation between enterprises. These types of reform should be conducted in the 100 budgetary state-owned large and medium-sized industrial enterprises that we have arranged. Regarding small state-owned enterprises, their management should be actively contracted or leased out to people while their state-owned status remaining unchanged, or they may adopt the cooperative shareholding system to them. Some of them may be sold to collectives or individuals. Small state-owned commercial enterprises should actively conduct these types of reform, and 90 percent of them should do so in 1994. Proceeding from reality, urban and rural collective enterprises may be reorganized into shareholding enterprises or cooperative shareholding enterprises when conditions permit. We should implement the "regulations on the supervision and management of the property of state-owned enterprises" in an orderly manner; make an inventory and check of the property, define property right, and clarify debts receivable and debts payable; and achieve success in the experimental work to reduce enterprises' burden of debts, to increase the proportion of enterprises' own circulating funds, and to authorize property management right. Thirty enterprises should be selected to experiment with the modern enterprise system.

It is necessary to further quicken the readjustment of the enterprise organizational structure and the industrial structure. The assets should be reorganized and the reasonable distribution of production factors should be

pressed forward in line with the measures of amalgamation, transfer, auctioning, and bankruptcy. The enterprises that suffer long-term losses due to poor management should be closed down, suspended, merge with others, or shift their lines of production. Simultaneously, these enterprises can use their existing areas, workshops, and infrastructural facilities to positively develop the diversified economy. The small number of state-owned enterprises that are hopeless to halt deficits and have no ways for shifting their lines of production should settle their accounts and declare bankruptcy according to laws.

Proceeding from reality, enterprises are allowed to select the reform methods suitable to themselves. On the premise of paying taxes according to laws and guaranteeing and adding the value of state-owned assets, we should try every possible means to enliven enterprises.

#### B. It is necessary to quicken the reform in the circulation sphere and cultivate and develop the market system.

We should foster the awareness of developing large-scale commerce and trade, cultivating large markets, and enlivening the circulation sphere on a large scale; be determined to quicken the pace of cultivating and developing the market system; and strive to build the municipality into a commercial and trade commercial center in north China.

We should exert great efforts to well run the existing markets. The established national and regional markets for capital goods and the markets for various commodities should strive to build themselves into the first-grade markets in the country and enhance their influential power and attractiveness. Wholesale markets should be set up for bulk agriculture produce, industrially produced consumer goods, and capital goods. A group of large-scale and high-quality commodity markets should newly be built and reconstructed. Several large-sized goods purchasing centers should be set up. Another group of specialized wholesale markets and overall trade fairs should be developed in the areas linking the urban areas with the rural ones. Various categories of markets should be sure that business is brisk so as to expand and enliven their business. The total commodity purchasing and marketing volume and the total volume of retail sales of commodities should increase by a big margin. It is necessary to quicken the development of the markets for various production factors. Emphasis should be placed on setting up labor markets, skilled persons exchange and service centers, technology markets, information markets, real estate markets, construction markets, and markets for transfer of enterprise property rights. It is necessary to firmly grasp the construction of a state-level technological trading market in north China. Particularly, we should vigorously develop banking markets and positively open stock exchange centers and gold trading centers in Tianjin. We should positively develop such self-disciplined organizations as professional intermediate organizations of market, trade associations, and chambers of commerce. By dividing duties, all departments should positively support the

setup of markets, abolish "unnecessary outposts," enthusiastically offer service, and try all possible means to bring in more skilled persons, goods, and capital.

C. We should conscientiously implement the state macroeconomic reform measures and positively achieve the reform of the income distribution, social security, land utilization, and housing systems.

In 1994, the country as a whole should make bigger strides in reforming the financial, tax revenue, financial, investment, foreign trade, and planning systems. Resolutely in line with the unified arrangements of the central authorities, we should proceed from the overall situation, make a unified arrangement, and carefully organize forces for implementation. We should conscientiously work out and implement plans, positively and steadily coordinate with various fronts, actively sort various reform requirements, and further improve and strengthen the macroeconomic regulation and control.

It is necessary to set up a reasonable individual income distribution system. On the premise that the increase rate of the wage bills of the staff and workers is lower than the enterprise economic efficiency growth rate and the enterprise labor productivity growth rate, the state-owned enterprises should decontrol the management of their wages. That is, enterprises have the right to deciding their wage levels and internal distribution forms. We should conscientiously reform the wage system of organs and institutions. The administrative organs should carry out the state functionary system and the state functionary wage system. The institutions with conditions are able to carry out the enterprise wage system.

We should establish a multi-layered social security system, and take active and reliable steps to accelerate reform of the old-age pension, unemployment, and medical insurance systems for workers. It is necessary to actively promote reform of the land utilization system, give full play to our municipality's advantages of land resources, adopt flexible forms, speed up the pace to invite business and investments, and achieve great breakthroughs in the scale of transferring land-use rights and in introducing foreign capital. We should further expedite the pace of reforming the housing system in cities and towns, give simultaneous attention to selling, renting and building houses while giving due emphasis to selling publicly owned houses, adopt supporting policies to form a market so as to accelerate the commercialization and socialization of houses.

D. We should realistically change government functions and actively carry out organizational reform.

In line with the central plans and the principle of separating government functions from enterprise management, streamlining organs, adopting unified plans, and paying attention to efficacy, we conscientiously conduct reform of the administrative management system and organizational reform, promote the public servant system, and achieve breakthrough progress in

changing the government functions. Governments should not manage enterprise affairs or directly interfere with their production and management activities, and should decontrol their operation. As for macroeconomic activities which must be managed, the governments should reduce and simplify procedures and raise the working efficiency; they should realistically shift the emphasis of work to working out overall plans, attending to policies, using information guidance, organizing and coordinating the work, providing service, and inspecting and supervising the work. In short, we should strive not to interfere with the work of enterprise, give less interference, give more services, help the grass roots and enterprises eliminate misgivings and difficulties, and do more practical things for them.

E. We should further expand opening up to all directions, both domestically and internationally, and accelerate the pace of using foreign capital.

We should open the municipality to all directions, to the higher layer, a broader sphere, and in a comprehensive manner, and regard using foreign capital of a larger scale as a prominent task. In 1994, the whole municipality should strive to reach agreements in directly using a total of more than \$5 billion in foreign capital, of which, more than \$3.5 billion should be investments from foreign businessmen. All trades and professions should be bold and given a free hand in using foreign capital. It is necessary to make major breakthroughs in building infrastructure facilities, carrying out major industrial items, conducting grafting and transformation in old enterprises, and attracting big financial groups and trans-country companies to build large projects, develop real estate, and develop the tertiary industry. In addition to grasping major items, we should not neglect small ones. Through two years of efforts, we should strive to make 50 percent of industrial enterprises, of which, two-thirds of budgetary industrial enterprises, use foreign capital. We should attend to the signed foreign capital items and speed up their construction and operation as quickly as possible. All committees, offices, and bureaus, and all districts and counties should realistically strengthen leadership, encourage the top leaders to grasp this work personally, assign one leading comrade to manage it specifically, and establish special organs or work groups to take charge of the work. We should regard using foreign capital as an essential task, share the targets to all departments and localities, and conduct evaluation in line with the demand of the "six ratios." Personnel who contribute to introducing foreign capital should be awarded.

We should make strenuous efforts to improve the investment environment. It is necessary to uphold and improve the system of completing the examination and approval procedures in "one place," giving "integrated" service, and jointly handling official work, actively create conditions for running the existing foreign-funded enterprises well, improve the relevant policies, laws, and regulations, do a good job in conducting external propaganda, strive to build our municipality into one of the

areas with the best investment environment in our province, enable the domestic and foreign businessmen feel an ease of mind in making investments and convenient in doing things in Tianjin, and that they can earn money from production and operation, and can be guaranteed in their legal rights and interests.

Economic and technological zone, free trade zone, and the new-tech industrial park are the showcases and a dragon head of Tianjin in opening to the outside world. During this year, we must have new ideas, adopt new measures, accelerate the pace of development and construction, and strive to take the lead in all fields of work in the whole country.

A large-scale increase should be made in foreign export trade. We should further rationalize the foreign trade management system, transform the mechanism of foreign trade enterprises, and guide foreign trade enterprises to take the road of integration, industrialization, and internationalization. Non-foreign trade enterprises should be encouraged to deal in exports independently and strengthen their ability of dealing in export and earning foreign exchange.

An even greater steps should be taken in the opening to the domestic areas. Tianjin should be opened wider to other places, and service should be improved in order to promote integrations through good service and promote development through integrations. Central departments and the places other than Tianjin should be attracted to make investment actively in Tianjin. The important role of their agencies stationed in Tianjin should be brought into full play. Emphasis should be placed on the integrations and coordination among Beijing, Tianjin, and Hebei in order to commonly build the "large Beijing-Tianjin economic circle" in line with the principles of being integrated to make the best possible use of advantages and to make up for the deficiency, making overall plans, and effecting a common development. Great efforts should be made to strengthen the economic integrations and coordination with the areas in north, northeast, and northwest China, and, in particular, with various fraternal provinces and municipalities in the areas around Bohai Bay.

#### F. We should accelerate the pace of readjustment and optimize economic structure.

The acceleration of economic development must be based on optimization of structure and improvement of economic returns.

Great efforts should be made to readjust product mix. All categories of enterprises in the municipality should fix their eyes on the market and try every possible means to readjust their product mix. They should renew old products and develop new products in a timely manner to make their products more competitive and marketable. Through the endeavor of one to two years, we should turn out a large number of new fine-quality, brand-name, or competitive products in order to restore the magnificent appearance of Tianjin's industry.

We should further attend to the readjustment of industrial structure. In this aspect, emphasis should be placed on developing energy resources, communications and telecommunications, and basic raw materials industries and on turning out the products that coordinate the production of pillar industries and key foreign-invested enterprises of three types. Positive support should be given to light industrial and textile industrial enterprises to open up new paths and change mechanism. Construction of water, power, gas, and heat supply facilities and construction of roads and other infrastructure facilities should be accelerated to enhance cities' functions as the carrier. Great efforts should be put in accelerating the building of ports. Great efforts should also be made in developing commercial trade, storage of goods, financial insurance, transportation and communications, service to residents, information consultation, labor export, and all sorts of professional intermediate service trades. Development of tourism with Tianjin's characteristics should be expedited. Real estate trade should be developed rapidly on a priority basis. Domestic and foreign investment should be absorbed from a wide range to form a pattern of developing the tertiary industry in diverse forms, through diverse channels, and at diverse levels.

Attention should be paid to readjusting investment structure, with emphasis on improving economic returns. Capital construction projects and technological transformation projects should be arranged in line with the principles of conforming to industrial policies, having good markets, and having good economic returns in order to spend the money on where they are needed most.

#### G. We should actually strengthen management work and ask for good economic returns, efficiency, and levels from management.

First, we should pay attention to management of enterprises. We should vigorously grasp the management of basic projects and special-purpose projects, strictly enforce rules of operation and various regulations and systems, strictly enforce labor discipline, straighten out production order, and achieve results in cutting production cost and improving quality. Second, we should grasp management of work. All departments and units should conscientiously perform various regulations and systems and strictly enforce work discipline in order to establish a good work order and constantly improve work efficiency and expertise. Third, we should grasp the management of trades. The emphasis of this work is to strengthen the overall, coordination, guidance, and service work. Fourth, we should grasp the management of safety. The system of assuming responsibility for the safety in production should be carried out conscientiously and the various safety control system should be executed strictly so as to eliminate all sorts of hidden peril, prevent the emergence of accidents of all kinds, and ensure the safety of state property and of the people. Fifth, we should pay attention to the management of investment. The project owner responsibility system

should be applied to construction projects, and the progress of construction should be guaranteed, the quality of the projects upgraded, and the efficiency of investment improved. Sixth, we should pay attention to social management. we should strengthen the management of the overall plan of the city and establish and improve the scientific and strict managerial methods. We should strengthen management of the city appearance, municipal administration, environmental protection, and environmental sanitation and improve the management and service of the units and departments that serve as "windows" so that Tianjin can become a city with a beautiful environment, a good order, and quality service. All departments and units should bear in mind Tianjin's status as the municipality under the direct jurisdiction of the central government when considering all their work, exert great efforts to strengthen management, and ensure high standards and strict requirements so that all work will have good efficiency and high level.

**H. We should make great efforts to cultivate and develop new growing points of the economy.**

We should make great efforts to cultivate and develop more new growing points of the economy to maintain the vigorous economic growth, promote faster economic development, and enhance the capacity for long-term development. First, we should have more courage to develop township enterprises and foreign-invested enterprises, increase their number, expand their scale, raise their level, and improve their efficiency. We should relax policies and actively develop the individual and private economies. We should develop the neighborhood economy more rapidly in line with specific local conditions. We should adopt effective measures to speed up the industrialization of high and new technology. Second, from large and medium-sized industrial enterprises, we should develop a number of backbone enterprises and a number of highly competitive products which can exert a great influence, make great contributions, reflect advanced domestic and world levels, serve as models in reform and management, and pay large amounts of taxes and profits. We should carry out the "222 project." That is, we should make a success of the two key enterprises—the Auto Industrial General Company and the Steep Tube Company, make a success of the 20 municipal-level key enterprises, and make a success of the 200 key enterprises of various bureaus, districts, and counties. Third, we should speed up the construction of the ethylene, the polyester, and other key capital construction and technical transformation projects and make the investment yield returns as soon as possible. Fourth, we should learn from the opening up and development of Shanghai's Pudong New Area to accelerate the opening up and development of Tianjin's coastal new area and strive to build it into an area with coordinated development of finance, commerce, foreign trade, and other trades of the tertiary industry, which is centering on the harbor, the development zone, and the bonded zone, guided by new and export-oriented industries, and based on several pillar industries in about 10

years. We should organize forces from all quarters to step up formulation of specific plans and definite targets and put them into practice as soon as possible.

**I. We should conscientiously strengthen agriculture and rural work.**

We should conscientiously implement the guidelines of the national rural work conference, attach great importance to agriculture and rural work, further strengthen the fundamental position of agriculture, persist in the integrated and common development of urban and rural areas, and speed up Tianjin's agricultural modernization. The general requirements are to actively develop high-yield, good-quality, and high-efficient agriculture; to achieve faster development of township enterprises; to greatly promote the spiritual civilization in rural areas; and to substantially increase peasants' income.

We should continue to stabilize and improve the responsibility system with household-based and output-related contracts as the major form and the dual management system combining unified operation with independent operation. Operations adaptable to scaled economy may be adopted based on the voluntary participation of the masses. We should improve the rural socialized service system, greatly develop the integrated management of trade, industry, and agriculture and the coordinated operation of production, processing, and marketing, and actively cultivate the rural market system. We should increase the investment in agriculture through various channels and intensify construction of the basic facilities for agriculture to enhance the capacity to resist floods and other natural disasters. We should pay great attention to developing agriculture with science and technology and increase the investment in science and technology. On the premise that a steady increase in grain production is guaranteed and the "shopping basket" project is made successful, we should actively adjust the structure of agriculture and the production setup of rural areas and expand the diversified economy. We should continue to successfully reduce the burdens on peasants and enterprises.

Town and township enterprises should further accelerate the pace of development and develop as quickly as possible. We should firmly attend to implementing the "project for rising to a new height in the Eighth Five-Year Plan period." We should positively carry out the share holding system, develop enterprise associations, boldly use foreign capital to conduct technological transformation, develop joint ventures, and further enhance enterprise vitality. We should pay attention to technological transformation and strive to expand the scale and to improve quality. It is necessary to develop increasingly more townships, villages, enterprises, and enterprise associations that each generates over 100 million yuan or 1 billion yuan of output value annually.

**J. We should rely on science, technology, and education to rejuvenate the economy of Tianjin.**

It is necessary to further implement the principle of relying on science and technology to rejuvenate the municipality and increase the proportion of scientific and technological progress in economic development. We should organize scientific and technological forces to tackle major technological problems cropping up in the course of production and construction while assimilating imported technologies and blazing new trails in importing technologies. We should pay attention to bringing into play the roles of the central scientific research organizations stationed in Tianjin. The existing scientific and technological findings should be popularized and applied as soon as possible. It is also necessary to set up a system for tracing and assessing the popularization and application of scientific and technological findings. It is necessary to speed up the construction of new technology park zones and to firmly work out and begin implementation of the plan for building a corridor of science and technology along the Beijing-Tianjin-Tanggu Expressway. Applied research, development research, and scientific and technological service organizations should gradually carry out enterprise management. From now on, we should link the allocation of funds to scientific research units engaged in applied research according to efficiency gained from popularizing and applying scientific research findings. Civilian-run scientific research organizations should be developed positively.

Education is the foundation for rejuvenating the municipality with science and technology. We should conscientiously implement the guidelines of the municipal educational work conference; quicken the pace of reforming the educational system and developing education; exert efforts to grasp the fulfillment of the work tasks; ensure that thinking, work arrangements, and guarantee measures are put in place; and make noticeable headway in deepening the reform of the educational system, enhancing vitality in running schools, upgrading the quality of education and the efficiency from running schools, and serving economic construction.

We should further form a strong social practice of respecting knowledge and skilled persons, pay high attention to and realistically achieve work toward intellectuals, and mobilize and encourage the broad masses of intellectuals to make more contributions to the municipality's reform and development.

**K. The eighteen districts and counties should bring their roles into full play.**

We should exert great efforts to enliven districts and counties, delegate power to districts and counties, and bring their different functions into better play. In line with the principle of integrating responsibility with rights and profits alongside human, financial, and material resources, we should balance the relationship between the municipality and districts and counties. On the basis of clearly dividing the affairs and rights of the governments at these two different levels, we should reasonably define the scale and base figures of revenues

and expenditures and enable districts and counties to retain more when their revenues increase. The affairs relating to regions and suitable to management by districts and counties should be managed by districts and counties. The departments concerned should work out specific plans, implement them as soon as possible, and ensure that rights should be delegated in a coordinated manner.

In line with the requirements for changing government functions, districts and counties should quicken reform of the self-management system, appropriately simplify administrative procedures and delegate powers to lower levels, and better handle affairs originally managed and assigned by the municipality.

**L. We should do our best to seek benefits for the masses and do real deeds for the people.**

The leading cadres at various levels should ensure that they keep the masses in mind, do things for the masses, and rely on the masses to do their work; and continue to persistently do 20 good deeds for the urban and rural dwellers in line with the 10 requirements as defined by the municipal party committee. In 1994, we should improve the work of doing concrete deeds for the people and pay particular attention to work in the following three aspects: First, we should exert efforts to promote the economy, ceaselessly increase the income of the urban and rural people, create more real benefits for the people, and also pay attention to solving the problems for staff members and workers with living difficulties. Second, we should grasp the management of markets and goods prices and control price hikes. Third, in line with the implementation of the "project of living in peace," we should exert efforts to grasp the housing construction and the reconstruction of dangerous and shabby one-story houses, and set historical records in the areas where houses are built and completed.

**M. We should further strengthen the building of the spiritual civilization.**

In propaganda and ideological work, we should greatly advocate the major melody and persist in the unity between the major melody and diverse work to raise people's spirit and boost their morale. We should intensify the ideological and moral education with patriotism, collectivism, and socialism as the major content, advocate the pioneering spirit of the new era, guide the people, especially young people, to develop the traditional virtues of the Chinese nation, and train the new people who have lofty ideals and moral characters and are better educated and self-disciplined. We should strengthen ideological and political work, oppose money worship, ultra-individualism, and the influence of corrupt styles of life with a clear-cut stand, and resist the erosion of capitalist and feudal ideas. In press and publication work, we should persist in the correct guidance of the media. In cultural and art work, we should make active efforts to create healthy and progressive intellectual products. We should also achieve success in

science and technology, education, public health, sports, afforestation, environmental protection, and family planning to promote comprehensive social progress.

Seizing the opportunity of hosting the 12th Asian Table Tennis Games and the 43d World Table Tennis Games, we should launch large-scale activities to "build a civilized city and become civilized citizens." We should widely publicize the theme of the games—"peace, friendship, prosperity, development." Focusing on the trades that serve as "windows," we should extensively launch the emulation activities to "make people satisfied in Tianjin" and to "create good quality and attain targets," strive for first-rate service, first-rate quality, and first-rate efficiency, display Tianjin's outlook, and win honor for Tianjin and for the state.

**N. We should strengthen socialist democratic politics and the legal system.**

Aiming at accelerating Tianjin's reform, opening up, and economic development, people's congresses at all levels and their standing committees should exercise the power entrusted by the Constitution and laws, give full play to the role of people's deputies, speed up local legislation, and strengthen legal supervision. We should fully develop the role of the Chinese People's Political Consultative Conference committees at all levels in political consultation and democratic supervision. We should strengthen the consultation with democratic parties to develop the advantages of all quarters. Trade unions, the Communist Youth League, women's federations, and other mass organizations should play their role still better as the bridges and channels for the party to establish ties with the masses. We should conscientiously implement the party's policies on nationalities, religions, and overseas Chinese affairs and strengthen the work directed toward Taiwan, Hong Kong, Macao, and Overseas Chinese.

We should conscientiously enforce the laws, administrative regulations, and local regulations issued by the state. We should step up the legal system and further establish and improve local regulations. We should strengthen and improve the law-enforcement by judicial and administrative departments and the supervision over law-enforcement. We should intensify the "Second Five-Year Plan" for the education to disseminate laws to enhance all the people's sense of respect for laws and the legal system.

**O. We should step up efforts to comprehensively manage public security to safeguard social stability.**

Leaders at all levels should regard the work to safeguard Tianjin's political and social stability as a major task to accomplish. They should conscientiously enforce the "regulations of Tianjin municipality on comprehensive management of public security." Following the principle that "those in charge hold responsibility," they should pool the efforts of different departments and different areas, with the focus on the latter, and establish a strict responsibility system for attaining the work targets of

comprehensive management of public security. We should continue to adhere to the principle of meting out prompt and strict punishment according to law, sternly crack down on criminal offenses that seriously endanger public security and serious economic offenses, and continue the activities to "wipe out pornography" and eliminate the "six vices" to purify the social environment. Public security, procuratorial, and judicial departments should achieve success in their own reform, improve their work systems, upgrade their work levels, and ensure strict law-enforcement.

**4. We Should Strengthen Leadership, Implement Responsibilities, Unite as One, Make Earnest Efforts To Do Practical Work, and Guarantee the Fulfillment of All Tasks in 1994**

**A. We should further strengthen the building of the party and the party's leadership.**

Strenuous efforts should be made to strengthen the building of leading bodies. We should build leading bodies at all levels into strong collectives that are firm in politics, and have courage to reform, do practical things, blaze new trials, work in unity and coordination, perform their administrative work honestly, maintain close relations with the masses of people, and comprehensively implement the party's basic line. We should conscientiously implement the principle of building ranks of cadres of "political integrity who are young, better educated and professional competent", the principle of choosing cadres with both ability and political integrity, and the principle of attending to political achievements and selecting the best through competition while building the leading bodies, make bigger strides in selecting outstanding young cadres, and do a better job in the exchange and readjustment of cadres. We should entrust cadres with outstanding achievements, good ideology and work style, and who enjoy mass support, particularly outstanding young cadres, with heavy tasks and boldly use them.

We should continue to attend to the building of grassroots party organizations and enhance the cohesion and fighting strength of the party organizations. We should further strengthen the building of enterprise party organizations in line with the guiding principle of "giving full play to the core political role of enterprise party organizations, upholding and improving the plant director responsibility system, and wholeheartedly relying on the working class."

We should strengthen the building of party style and administrative honesty and continue to deepen anticorruption struggle in a down-to-earth manner. Leading cadres at all levels should be clean and self-disciplined, do their administrative work honestly, and serve as good examples. It is necessary to concentrate efforts on investigating and handling major and appalling cases and continue to conscientiously check the unhealthy trends which the masses show strong reaction. We should persist in unswervingly conducting education on party style, party discipline and clean politics, pay attention to

**building and improving the mechanism of supervision and restraint, and perfect the responsibility system in building party style and administrative honesty.**

**B. We should actively strengthen study and training and raise the quality of cadres and the worker contingents.**

The realization of Tianjin's grand objective of reform and development is chiefly determined by the quality of the ranks of cadres and workers. Grasping study and training well is not only an urgent task but also a long-term plan. We should form a study atmosphere in the whole municipality and conduct various forms of study and training activities. While attending to the study of theories, Volume 3 of the *Selected Works of Deng Xiaoping*, and the "decision of the CPC central Committee on some issues concerning the establishment of the socialist market economic structure," we should strive to gain knowledge, and study science, technology and professional knowledge, as well as foreign languages in line with the requirements of our work. We should arrange for the training content in line with the principle of "learning the most useful," study what we do not know and make up for the lessons we miss. It is necessary to conscientiously formulate study and training plans and to establish necessary systems.

Leading cadres at and above the district, county, and bureau level should do a good job in training as well as in leading the study. It is necessary to create conditions for cadres and workers to study and to undergo training, prepare training funds, and guarantee them time for study. We should extensively conduct a municipality-wide activity on "comparing with one another in the achievements of study, professional skills, and contributions." Relevant departments and mass organizations should play a positive role in promoting this municipality-wide study and training activity.

**C. We should comprehensively promote the work target responsibility system, improve work style, raise efficiency, and firmly carry out this system.**

We should comprehensively carry out this system in all party and government organs and departments, and enable them to meet high standards and set strict demands, and standardize and institutionalize this system. We should share the municipality's major economic and social development targets and tasks to all levels and urge them to implement them. Those that can be measured should be measured for evaluation, and those which cannot be evaluated with measurements should be given criteria for evaluation of work. Both economic departments and non-economic departments and various regions and departments should all be assigned with specific targets and tasks so that everyone has pressures and targets on their shoulders. In fixing targets, we should manifest the spirit of accelerating

development and should set specific demands on time limits, progress rate, quantity, and quality. Some important items of work should be defined with the signing of letters of responsibility at each level. In carrying out the system concerning public service, we should consider the fulfillment of the assigned targets as an important content to assess official performance of leading bodies and leading cadres. In this aspect, each level should assume responsibility for its own work and supervise the work of the next lower level. Leading organs at higher levels should give good guidance to the work and supervise and examine the work of lower levels in order to truly yield results in this aspect.

We should effect a big change in work style. Subjectivism, bureaucratism, and formalism should be overcome. We should tell the truth, do tangible things, and strive for practical results, rather than indulging in boasting, exaggeration, and fraudulence. Great efforts should be made to reduce the number of meetings and ordinary activities. Leading cadres at or above the district and county levels should use at least one third of the year to delve deeply into the realities of life to conduct investigation and study. We should continue to persist in and perfect the good methods of "jointly handling affairs" and "handling affairs within a set time" that will help improve work efficiency. Leading organs should pay high attention to coordinating work well.

**D. We should depend on the broad masses of the people and mobilize all positive factors to accomplish 1994's tasks.**

We should further persist in the idea of doing everything for the people and relying on the people to do everything. The channels to contact with the masses should be broadened, and the opinions, voice, and demands of the masses should be listened to in a timely manner. Importance should be attached to the work concerning the letters and complaints of the masses. In fulfilling various tasks, we should always mobilize the initiative of the masses, depend on the masses, and strengthen the ideological and political work. All reform plans and all major work measures should garner the comprehension and support of the masses. Full play should be given to the role of the working class as the main force to carry out reform and construction. Old cadres should be respected and taken note of by bringing their role into full play and efforts should be given to solve the problems in the livelihood of retired veteran cadres and workers. "Double-support" activities should be carried out continuously to strengthen the unity between the army and the people and between the army and the government. On the whole, we should further strengthen the mass unity throughout the municipality, mobilize all positive factors, and pool the will and wisdom of all the people in Tianjin to attain the common goal of accelerating development and invigorating Tianjin.

The year 1994 is key to Tianjin's reform, opening up, and modernization drive. The municipal party committee called on the vast numbers of party members, cadres, and the masses in the municipality to even more closely unite as one to implement the guidelines of the 14th party congress and of the third plenary session of the 14th CPC Central Committee under the leadership

of the CPC Central Committee, with Comrade Jiang Zemin as its nucleus, and under the guidance of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics. They are also expected to work hard and to make bold innovations to fulfill all tasks and to seize the opportunity to accelerate reform, opening up, and modernization in Tianjin.

### Negotiators Continue Talks on Intellectual Property Rights

*OW0103142594 Taipei CNA in English 1259 GMT  
1 Mar 94*

[Text] Taipei, March 1 (CNA)—Taiwan has done a good job of cracking down on intellectual property rights violators, Board of Foreign Trade Deputy Director General Lin Yi-fu claimed Tuesday [1 March] during the second day of talks between the Republic of China [ROC] and the United States on intellectual property rights (IPR) protection.

Taiwan is currently negotiating with US officials to have its name removed from the special 301 priority watch list, which targets countries breaching IPR laws. Those countries failing to improve their IPR protection records may be hit with trade sanctions by the United States.

Lin cited US customs statistics in defense of Taiwan's efforts, saying that Taiwan has gone from having the most exports of any country seized for IPR violations by US customs agents in 1991, to improving to fourth position in 1993, trailing Mainland China, an unidentified country, and Hong Kong.

Mainland Chinese goods worth US\$19 million were confiscated by US customs for IPR violations last year, accounting for 43 percent of the total value of goods seized by the United States. Taiwan accounted for about 5 percent of the total value of goods confiscated, or US\$2.2 million.

In terms of the number of shipments of goods seized by the US customs for violating IPR laws, Taiwan ranked fifth.

During the day's negotiations, Lin asked the United States to provide Taiwan with information concerning Taiwan's IPR violators so that the government can more effectively police the (renegade) trade.

The US side, (?alternatively), expressed its dissatisfaction over Taiwan's having reduced the maximum jail term for violators of the trademark law to three years from five years.

### Discuss Patent, Trademark Protection

*OW0203075794 Taipei CNA in English 0703 GMT  
2 Mar 94*

[By Y. C. Tsai]

[Text] Taipei, March 2 (CNA)—Negotiators from Taiwan and the United States are working together on a patent and trademark reciprocal protection agreement on the third day of intellectual property rights (IPR) protection talks here in Taipei.

Chen Tzuo-chen, deputy director-general of the National Bureau of Standards (NBS) under the Ministry of Economic Affairs, said that a reciprocity pact will ensure better protection for inventions by peoples of the two countries.

The US delegation to the talks, now in their third and final day, was originally concerned that revisions to Taiwan's patent law did not stipulate jail sentences for violations, Chen said.

But American delegates said they were satisfied after learning that the revised law increases fines to the equivalent of twice the damage incurred by violation, he noted.

The three-day IPR consultations between Taiwan and the United States are expected to conclude late Wednesday [2 March].

### U.S. Accused of IPR Infringements

*OW0203080094 Taipei CNA in English 0721 GMT  
2 Mar 94*

[By Debbie Kuo]

[Text] Taipei, March 2 (CNA)—Several Republic of China [ROC] legislators Wednesday [2 March] quoted US customs statistics which show that the US is the world's sixth largest source of intellectual property rights (IPR) infringements and demanded the US better police its computer software exports.

Five Kuomintang legislators, including Lin Shou-shan and Lin Chih-chia, called on the Clinton administration to require the same export inspections of US software as the US Trade Representative officials have recommended for Taipei.

Noting that US customs statistics show US IPR violations are only one percent behind those of Taiwan, the legislators called for equal treatment for the two countries.

"It is fair to ask the US to impose a similar export inspection system to curb IPR violation," they said in a joint statement released Wednesday morning.

The statement also called on the US to revise its patent law to add prison terms for IPR violators, as Taiwan is being asked to do the same.

Legislators Ting Shou-chung, Wei Yung and Chao Yung-ching also signed the statement.

### Minister Says Taipei Will Work To Forge More Diplomatic Ties

*OW0103152294 Taipei CNA in English 1324 GMT  
1 Mar 94*

[Text] Taipei, March 1 (CNA)—It would be easier for the Republic of China [ROC] to gain admission to the

2 March 1994

## TAIWAN

61

United Nations if it could win diplomatic recognition from 40 to 50 countries, Foreign Affairs Minister Chien Fu said Tuesday [2 March].

However, Chien said, the ROC will not forge diplomatic relations with a number of "mini" states simply to reach that goal.

"We'll develop formal ties only with those countries whose economies are complementary with ours and whose political situations are stable," Chien told a press conference at the Foreign Ministry.

The ROC currently maintains diplomatic ties with 29 countries, mostly in Latin America and Africa.

"The government needs the support of the press and academic communities as well as the Legislative Yuan in seeking to expand diplomatic frontiers," Chien said.

He stressed that the government will continue to seek membership in major international organizations and forge diplomatic ties with more countries under the "one China" policy.

"China is divided and ruled by two separate governments," Chien said. "As a sovereign state, the ROC, which controls Taiwan, Penghu, Kinmen and Matsu, is entitled to have a role in the world arena."

Chien said that although Beijing has spared no efforts to block Taiwan's international presence, the ROC won't abandon its bid to join the United Nations and other important world bodies.

Chien added that he is reserved toward a proposal made recently by a Taiwan affairs official in Beijing that the two sides stop their "cutthroat" competition on the diplomatic front.

"It is Beijing that has adopted a 'zero-sum' strategy against Taiwan in diplomatic arenas," Chien said. "In forging ties with other countries, we have never asked them to either totally cut relations or reduce exchanges with Beijing."

"Under the current conditions, I doubt the Chinese Communist Party leadership will accept the so-called 'diplomatic truce' overture," Chien said, adding that unless Mainland China's political system changes, cross-strait relations are unlikely to make great headway.

#### GATT Membership Impacts Negatively on Agriculture

*OW0103135894 Taipei China Broadcasting Corporation News Network in Mandarin 2300 GMT 26 Feb 94*

[From the "Hookup" program]

[Text] The Executive Yuan has completed an assessment report about the impact which the nation's agricultural sector will have when the Republic of China [ROC] seeks to join the GATT. It was disclosed, however, that the

results of the assessment are so negative that the government so far is afraid to publicize it. The assessment report was immediately recalled even after it was read by ministers and council heads attending a ministerial meeting called by the Executive Yuan not long ago.

A scholar participating in the assessment pointed out that, in accordance with the assessment report, after the ROC joins the GATT, it will not be able to attain its zero-growth target in its agricultural development, and the nation may have negative agricultural growth—and even a substantial decline—for a long time to come.

The scholar indicated that, since the bottom line set in the assessment report for opening up ROC's agricultural sector is one based on a relatively optimistic assumption, and yet the assessment results are still negative, he thought the set bottom line is merely a wishful thinking, considering the nation's eagerness to join the GATT by the end of the year, the U.S. side's unyielding attitude, and the lack of bargaining chips on the part of the ROC during the negotiations.

Moreover, in view of the prospects that agricultural associations have planned to organize farmers to demonstrate in streets next month to demand the government to come up with measures to deal with agricultural problems arising after the ROC becomes a GATT member, (Sun Ming-hsien), chairman of the Executive Yuan Agricultural Council, indicated that ROC's countermeasures will be adjusted periodically, based on the results of the negotiations, as well as the terms set for ROC's GATT membership. He indicated that he has begun dialogues with farmers for this reason.

#### Lien Chan Comments on 'Federation or Confederation'

*OW0103102494 Taipei China Broadcasting Corporation News Network in Mandarin 2300 GMT 25 Feb 94*

[Report by Ho Chinming; from the "Hookup" program]

[Text] In answering an interpellation at the Legislative Yuan, President of the Executive Yuan Lien Chan yesterday [25 February] said there are many possibilities for the reunification of China in the future. A federation [lien pang] or confederation [pang lien] should be considered as a way. However, he believed that, under the condition that Communist China still takes an ossified policy toward Taiwan and disregards the fact that we are a political entity, Communist China will not be ready to leap one hundred steps and instantly discuss the system of a federation or confederation.

Legislator Chao Shao-kang expressed his view during an interpellation at the Legislative Yuan yesterday that, under the situation of close economic and trade relations between the two sides of the strait, with the amount of bilateral trade exceeding the amount of trade with the United States and Japan, it is extremely unwise for the two sides to contend with each other in diplomatic and

military affairs. He asked the government to change the current conservative, shrinking, and defensive policy toward the mainland and to readjust our strategy and adopt a positive and active mainland policy so our side can take an offensive as well as a defensive position in dealing with Communist China. Therefore, he advocated establishing the Republic of the Chinese Federation [chung hua lien pang kung ho kuo] through cross-strait talks. Although Communist China may object, we can at least shift the problem to Communist China.

Premier Lien Chan said the relationship between the two sides of the strait is a crucial political issue for the country at present and in the future. Judging from the view of our country and nation, the present vicious contention between the two sides of the strait in the political, economic, military and other fields and the situation of a life-and-death struggle [ni su wo huo ti chui men] are merely squandering away the resources of the country and is very unsatisfactory. Therefore, he held that taking the initiative to design a political structure, planning national development in the future, and thinking about the future path of the Republic of China are all good ideas. He also affirmed Chao Shao-kang's suggestion on forming a federation. He held that it is quite creative.

In addition, in answering an interpellation, Premier Lien Chan also said that the so-called summit meeting is merely for stressing each other's stand and cannot solve practical problems. Therefore the problems between the two sides of the strait should still be handled in a rational and good-will manner, and in this way we can naturally have a bright future. Meanwhile, he held that the idea of a federation or confederation is not the direction for reunification in the future. In answering an interpellation by Chao Shao-kang, Premier Lien said:

[Begin recording] [Lien] The future reunification of China may take many forms. However, a confederation [pang lien] or federation [lien pang] may be accepted after all as a way for consideration. The Soviet Union was an example of the unification of states in modern times. In past decades, we have seen many such examples in the United Nations. [end recording]

In fact, the policy toward the mainland became the legislators' focal point of concern in the general interpellation of government administration on 25 February. Earlier, Legislator Ting Shou-chung had a wonderful dialogue with Premier Lien Chan on the possibility of holding a summit between the two sides of the strait.

[Begin recording] [Ting] I solemnly suggest that the president should immediately hold a cross-strait summit with Deng Xiaoping. To go out to the world, Taiwan's leader must first have the courage to face Communist China. We have seen that President Li can avoid sensitive questions, disregard status and formalities, and go abroad to hold talks with leaders of the Philippines, Indonesia, and Thailand and exchange experiences on national construction. Why can he not hold dialogs with

leaders on the mainland with the same sentiment and tolerance and in the same informal way?

[Li] I personally always think that summit meetings cannot solve problems. The government leaders only express their stands and stress their own particular viewpoints in summit meetings. They cannot possibly solve any practical thing. [end recording]

Generally speaking, Premier Lien's view on a policy for cross-strait relations is still consistently the same, that is, the relations between the two sides of the strait should be two-sided. Our side has already shown enough sincerity, but so far the government still has not felt any goodwill from Communist China in response. Therefore, the current policy toward the mainland still should not be changed rashly.

#### Majority of Taipei's Foreign Investment Goes to PRC

OW2802074794 Taipei CNA in English 0733 GMT  
28 Feb 94

[By Deneille Yang]

[Text] Taipei, Feb. 28 (CNA)— Mainland China absorbed 66.52 percent of Taiwan's total foreign investment in 1993, increasing Taiwan's dependence on the mainland, according to a Mainland Affairs Council (MAC) report released Monday.

Between January-October of 1993, Taiwan approved U.S.\$4.56 billion worth of foreign investment with U.S.\$3.038 billion going to Mainland China, the report said.

A total of 9,167 mainland investment applications were recorded during the period, the report indicated.

Taiwan's total trade dependence on Mainland China grew from 4.83 percent at the end of 1992 to 5.3 percent during the ten-month period, up 9.73 percent, the report said.

Taiwan's export reliance on the mainland grew 14.51 percent to reach 8.84 percent during the period, up from 7.72 percent registered at the end of 1992.

However, the degree of Mainland China's trade dependence on Taiwan only increased 0.45 percent over the ten months to reach 4.92 percent. The mainland's export reliance on Taiwan was limited to 1.3 percent, down 0.02 percent, according to the MAC report.

Taiwan investors mostly concentrated their investments in manufacturing industries, including those producing rubber, plastic, electronic, electric, basic metal, food, beverage, textile, and chemical products.

Meanwhile, Taiwan's trade dependence on Hong Kong, an entrepot for mainland trade, also grew 12.4 percent during the period. Taiwan's export reliance on the

British colony grew 2.7 percent to reach 21.6 percent in 1993, compared with 18.9 percent in 1992, the report noted.

**Official Comments on U.S. Conservation Officials' Visit**

*OW0103181094 Taipei CNA in English 0725 GMT  
1 Mar 94*

[By Y.C. Tsai]

[Text] Taipei, March 1 (CNA)—A seven-member delegation of US wildlife conservation officials will arrive in Taiwan Tuesday [2 March] evening to inspect conservation efforts here.

The delegation, led by Kenneth Stansell, director of the Office of Management Authority of the Fish and Wildlife Service under the Department of the Interior will visit the Council of Agriculture (COA), the Department of Health, the Ministry of Justice, the Directorate General of Customs, and the National Police Administration during their five-day stay in Taiwan.

The inspection tour will help determine whether the US Government will impose trade sanctions against Taiwan for alleged trade in endangered species parts.

COA Chairman Sun Ming-hsien pledged that the council will do its best to act on advice and guidance from the US delegation or other conservation groups at home and abroad in order to improve Taiwan's protection of endangered wildlife.

He added that he will also seek a rhino horn identifying agreement with the US when meeting with the delegation.

"We will take this opportunity to communicate with the delegation members in the hopes that a rhino horn identifying technique agreement with the United States will be signed as soon as possible," Sun added.

The US Government's willingness to enter into such a pact demonstrates its goodwill toward Taiwan's wildlife conservation efforts, he noted.

The US Department of the Interior, under pressure from international conservation groups, last September identified Taiwan as an area trading in rhino horn and tiger bone and asked President Bill Clinton to call for trade retaliation against the island.

Meanwhile, the Geneva-based Convention on International Trade in Endangered Species (CITES) Standing

Committee will meet March 21-25 to decide whether to call for an international economic boycott against Taiwan.

Two CITES delegations visited Taiwan in November and January respectively to evaluate Taiwan's wildlife protection measures.

Results of the CITES meeting are expected to be influential in the US Government's decision in late April, Sun said.

**Police Confiscate 159 Kg of Heroin in Record Seizure**

*OW0103171594 Taipei CNA in English 0733 GMT  
1 Mar 94*

[By Sofia Wu]

[Text] Taipei, March 1 (CNA)—Police arrested two drug dealers Tuesday [1 March] and confiscated 159 kilograms of mainland Chinese "Double Lion" heroin, marking the largest heroin seizure in Taiwan history.

The 443 small bricks of heroin have an estimated street value of NT\$10 [new Taiwan dollars] billion (US\$377.34 million), police said.

Police identified the drug dealers as Chang Chi-ching, 28, and Chang Ming-hui, 32. Both have close ties with international drug rings, according to an officer at the Taipei city police headquarters.

Police began an investigation of the two late last year after discovering they might have ties with a drug trafficking ring headed by Lin Kwang-cheng. Lin was arrested last December.

Police found that the two men had developed an island-wide drug distribution network and maintained close relations with international drug traffickers.

Chang Chi-ching told the police that the drugs seized in Tuesday's raid were smuggled into Taiwan from Bangkok in early February.

"The drugs were smuggled into Taiwan at the Chiching fishing port near Kaohsiung on the eve of the lunar new year holiday," Chang said.

He admitted that his ring used to smuggle heroin into Taiwan from Thailand's Golden Triangle and re-export the drug to the United States and Italy. Because of sluggish sales in the American and European markets in recent years, Chang said his group began to make inroads into the Southeast Asian market.

## Hong Kong

### Lu Ping Criticizes Britain's 'Lack of Sincerity' in Talks

*HK0203042094 Hong Kong WEN WEI PO in Chinese 2 Mar 94 p A16*

[*"Dispatch"* by Su Hung-ju (5685 7703 0320): "Lu Ping Criticizes the British Side for Lacking Sincerity"]

[Text] Shenzhen, 1 Mar—In Shenzhen today, while attending the 29th anniversary of the diversion of the Dong Jiang's waters to Hong Kong, Lu Ping, director of the State Council's Hong Kong and Macao Affairs Office, said that from the material about the truth of the Sino-British talks on Hong Kong's electoral arrangements published by the Chinese Foreign Ministry yesterday, everyone can see that the British side had no sincerity from the very beginning of the talks, while the Chinese side had made the greatest efforts. He added that the Chinese side was quite disappointed and regretful about what the British side had done to undermine the talks.

When answering reporters' questions today, Lu Ping said: From the material published by the Foreign Ministry, everyone can see that the Chinese Government was really sincere and honest in the talks and that the Chinese side made the greatest efforts to reach an agreement with the British side. From the materials, everyone can see that the British side had no sincerity since the beginning of the talks. The Chinese side was willing to talk with the British side on the 1994/95 electoral arrangements because it hoped that China and Britain could cooperate on the question of a steady transition and bring about a steady transition in 1997. This was the "through train" concept.

Lu Ping criticized the British side lack of sincerity and for causing the talks to break down. Therefore, the Chinese side is quite disappointed and regretful about this. He stressed that under this situation—a situation in which the British side is not cooperating—the Chinese side will make efforts to carry out Hong Kong's steady transition in 1997, adding that this was also the Chinese side's objective in its future work.

### Commentary Reiterates PRC To Dismantle Last Government

*HK0203064194 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1004 GMT 28 Feb 94*

[Commentary by reporter Gan Cheng (3927 2110): "The Fate of the Last Three-Tier Government of Hong Kong"]

[Text] Hong Kong, 28 Feb (ZHONGGUO TONGXUN SHE)—The first part of Chris Patten's constitutional reform package was adopted by the Hong Kong Legislative Council on 24 February. Immediately after this,

London and the Hong Kong Government simultaneously made public an abstract of the contents of the 17 rounds of Sino-British talks and the remainder of Chris Patten's constitutional reform package was published in the government gazette. The package will be submitted to the Legislative Council for examination and discussion on 9 March.

The opportunity for resuming the Sino-British talks on constitutional reform has now been completely destroyed. It will be difficult to find a mechanism for the convergence of the Hong Kong constitution around 1997; the arrangements for a through train have thoroughly vanished; and the opportunity for Sino-British cooperation on Hong Kong's constitutional development is equivalent to zero.

This is something that the Chinese side is extremely unwilling to see. The Chinese side has repeatedly said: As far as the Chinese side is concerned, the door to talks is wide open, but the prerequisite is that the British side must withdraw the partial constitutional reform package that has already been submitted to the Legislative Council. The British side, however, is bent on confronting the Chinese side to the very end and on deviating farther and farther away from the road of cooperation.

Although Chris Patten is still putting on a show and has said that the possibility of reopening dialogue with the Chinese side on the constitutional issue of Hong Kong has not been ruled out, he has started to tear down one of the supports of the mansion that will soon be returned to its owner, while at the same time saying that he is willing to cooperate with the owner to construct a taller building. By acting this way, he himself may be the only one cheated in the end. The Chinese side and the people of Hong Kong have ears as well as eyes. Their eyes will not miss any of Chris Patten's damaging moves.

According to Chris Patten's way of doing business, he will exert himself to the utmost to promote—in accordance with his constitutional reform package—the election of the three-tier councils in 1994 and 1995 in a bid to extend Britain's colonial influence beyond 1997. Although the voice of opposition within the Legislative Council is not low, it will not be too difficult for Chris Patten to affix the seal with his hand.

However, the Chinese side has repeatedly reiterated that, without an agreement between China and Britain, any constitutional reform package adopted by the Legislative Council of Hong Kong will not be accepted. The Chinese side will certainly dissolve and reorganize Hong Kong's three-tier councils on 1 July 1997. This means that the three-tier councils to be elected in 1994 and 1995, the birth of which Chris Patten is unilaterally expediting, are bound to be short-lived. The Legislative Council to be elected in 1995 can only last 20 months.

Britain must return Hong Kong to China in 1997, and by that time China will certainly have restored its sovereignty over Hong Kong. This is a fact which no one can

change. The three-tier councils of Hong Kong to be elected in 1994 and 1995 without an agreement between China and Britain are only one part of the British Hong Kong constitutional structure, and their terms of office are provided for by the British Royal Instructions and the relevant regulations. Following the end of the British rule over Hong Kong on 30 June 1997, the Royal Instructions and all other relevant laws, being in conflict with the Basic Law, will certainly become invalid, and all the three-tier councils of the Hong Kong Government will be dissolved at that time. The Chinese Government will reorganize the constitutional structure on 1 July 1997 in accordance with the Basic Law and the decision of the National People's Congress. This is very natural.

Although Chris Patten has clung to his course, he and the British Government have absolutely no chance of changing the fate of the last three-tier councils of the Hong Kong Government. Percy Cradock, former foreign affairs adviser to the British prime minister, pointed out that, because the talks broke down, the British Government will have no say about the blueprint for Hong Kong's future development.

Recalling the experience of the previous Sino-British talks on Hong Kong's future, Percy Cradock pointed out that the British side was in fact in an inferior position, while the Chinese side was in an overwhelmingly dominant position. Therefore, one of the ways to work together with China is to avoid confronting the tough with toughness and to hold talks and discussions.

In commenting on the results that were achieved in the Sino-British talks on Kong Kong at that time, CPC elder Deng Xiaoping once pointed out, "What is the reason behind the success of the talks on Hong Kong? It was not due to the special skills of the participants from our side, but was primarily because our country has developed over the past few years and has become a prosperous and flourishing country, a country with strength, and a trustworthy country. We pay attention to trustworthiness, and we keep our word."

Chris Patten is doomed to failure because he is ignorant about China today. His understanding of China and even Britain seems to be identical to that of some people in 1840.

#### XINHUA Deputy Director Says UK Blocks Cooperation

HK0203025494 Hong Kong WEN WEI PO in Chinese  
28 Feb 94 p A11

[Report: "Zhu Yucheng Criticizes British Hong Kong Government for Attempting To Shift Debt Onto the Hong Kong People"]

[Text] Zhu Yucheng, deputy director of the XINHUA Hong Kong Branch, made a criticism yesterday, saying that the British Hong Kong Government changed the Airport Authority into the Airport Corporation with the intention of shifting debt onto the government of the

future special administrative region, and that the Chinese side would not allow the debt to be ultimately passed on to the people of Hong Kong.

At the Spring Festival party and inaugural ceremony for the 43d Executive Committee of the Hong Kong Chinese Reform Association last night, Zhu Yucheng said: On the airport issue, the Chinese side has always acted in accordance with the Memorandum of Understanding on the Airport, but it was only after a very long delay that the British side put forward the fourth proposal. There is still the big question of a more than HK\$20 billion [Hong Kong dollars] debt in this financial proposal.

He said: By making the Airport Authority into a company, the British Hong Kong Government wants to shift the debt onto that company. The Chinese side has pointed out that, like the Mass Transit Railway Corporation, the Airport Corporation is a company which is fully funded by the Hong Kong Government, and the debt will ultimately be shouldered by the government of the future special administrative region. Therefore, the Chinese side maintains that, regarding the airport issue, there must be a supervisory organization, that the airport authorities cannot be allowed to spend money indiscriminately, and that the supervisory organization must reflect the will of the Hong Kong people. In response to a reporter's question as to whether the Airport Consultative Committee could play a supervisory role, Zhu Yucheng said: It depends on whether its composition represents the will of the Hong Kong people, and this must be considered in light of the situation at the time. The composition of the Airport Consultative Committee itself has yet to be studied. He said that the new airport has four essential elements, the airport runway, airport support facilities, airport control system, and airport traffic system. He said that the British Hong Kong Government's practice of offering these services as separate contracts, as opposed to approving them as an integral whole, is not conducive to the management of the airport. He pointed out that the Chinese side does not want the various elements of airport management to be separated, because an airport is different from other types of businesses. He said that all one can do is wait and see how the Hong Kong Government divides up the new airport.

Zhu Yucheng said: The Hong Kong people should pay special attention to these areas. The goals of the British before their withdrawal are very clear: Economically, they want to reap the maximum benefit. Politically, they are preparing their own people in an attempt to force the government of the special administrative region to accept the exercise of British rule without their presence. He said: "Comrade Deng Xiaoping has discussed these problems very clearly before. The problems he mentioned have now occurred one after another. The current problems between China and Britain are something that the Chinese side does not wish to see." He hoped that the Hong Kong people will stop dreaming and said that they can no longer expect a colonial official to leave anything good for the Hong Kong people. He said that the British

officials will only grab the maximum benefits for the British side and cited a proverb, saying that it is easier to move mountains and change the course of rivers than for one to change one's character. Zhu Yucheng added: The Chinese side has already made it very clear that, on the airport issue, the British Hong Kong Government has to conform to the Memorandum of Understanding by leaving HK\$25 billion to the government of the special administrative region and by borrowing no more than HK\$5 billion. He said: The question should have been settled, but the British Hong Kong Government is playing a game of figures by putting forward this and that proposal and intends to pass the debt on to the government of the future special administrative region after all.

In response to a reporter's question as to whether the airport issue is being affected by the Sino-British dispute and by the deterioration of relations, Zhu Yucheng said: In the past, the Chinese side always hoped that politics and economics would be separated. But it appears that the road the British Hong Kong authorities are taking has completely blocked the road of Sino-British cooperation. Therefore, it will be very difficult for China and Britain to travel on the road of cooperation again in the next three years or more. Since the first day of his arrival in Hong Kong, Chris Patten has chosen the path of Sino-British confrontation, and now it seems that he will continue this confrontation to the very end. This will surely have an impact on cooperation in all areas of the Hong Kong economy. He said that there is a Memorandum of Understanding for the airport and that it is now up to the British side to abide by it. Zhu Yucheng said: In the past, we had the Sino-British Joint Declaration, the Basic Law, and the agreements reached between the foreign ministers of the two countries before, but the British side has ruined these three foundations of cooperation. Now let us see whether the British side will abide by the Memorandum of Understanding.

In addition, regarding the White Paper published unilaterally by the British side, Zhu Yucheng said that the British side has unilaterally violated the principle of confidentiality. He said: "Last time, I said that the British side did some editing and merging, and you editors should be aware of this. They themselves have also admitted that they have not released the whole story; that is to say, they took those elements that they needed, but did not reveal the entire real substance of our talks."

Zhu Yucheng said: The Chinese side set forth a five-point foundation at the beginning of the talks, which Deputy Director Zhang Junsheng has also discussed publicly. The Chinese side had discussed these issues, but the British side did not keep its promise. He said: "As a government, it has to be responsible. It must not be irresponsible in the remarks it makes. It is not good if one says one thing today and then says another tomorrow. A government must be responsible, must admit when it has said or done something, and must be honest. We say we all speak the truth and we must not act like they do." Zhu Yucheng added that whatever the

Chinese side says is true, and the Chinese will make a response very soon. He urged the reporters to be patient and said that a comprehensive reply would be given very soon.

### Patten Resists Calls To Issue 'Unabridged Version' of Talks

*HK0203085494 Hong Kong HONGKONG STANDARD in English 2 Mar 94 p 1*

[By political editor Mary Binks and M.Y. Sung in Beijing]

[Text] The standoff between Britain and China over the political future of Hong Kong continued yesterday as the gulf widened between their respective accounts of why cooperation had not been possible.

The two sides, in separate accounts of the failed 17 rounds of negotiations, blamed each other for the impasse on arrangements for the final elections under British rule.

Governor Chris Patten declined to retaliate to Beijing's accusations that the British side had deliberately sabotaged the negotiations and interfered in China's sovereignty.

Mr Patten resisted calls by legislators to issue the unabridged version of the negotiations in order to clear up differences between the two accounts of why the talks failed.

"Even if you were to produce all the other documentation, you would still have differences in interpretation and analyses ... people can look from one document to the other and by and large, the facts are the same in both," he said.

The 17,000-word Chinese document published five days after Britain's White Paper on the content of the negotiations, accused Britain of "distorting the position of the Chinese side".

Meanwhile, China's most senior official dealing with the territory, Hong Kong and Macao Affairs Office director Lu Ping, stressed the talks had been intended to provide legislators with a through-train enabling them to serve their terms beyond 1997.

Local Xinhua News Agency official Lee Wui-ting said the version of the talks published by the Chinese side would allow the Hong Kong people to determine the cause of the political deadlock.

Speaking after a meeting of the Preliminary Working Committee (PWC) in Beijing yesterday, Mr Lee said the Chinese version demonstrated that the British side had pushed Mr Patten's constitutional reform proposals from the beginning of the talks, hindering progress.

"The Hong Kong people can judge which side was unco-operative," Mr Lee said.

But, in Beijing, Britain's Ambassador to China, Sir Robin McLaren claimed the Chinese account of the negotiations was incorrect in its interpretations.

Sir Robin also criticised the Chinese government for not providing him with a copy of the document before it was made public. He said Britain had extended that courtesy to China before issuing its White Paper on the failed negotiations.

China's account of the talks was yesterday published in Beijing's two major official newspapers, the PEOPLE'S DAILY and CHINA DAILY, in Chinese and English respectively.

Sir Robin said Britain would stand by its version, saying the White Paper was a more accurate assessment of the reasons for the impasse.

U.S. President Bill Clinton yesterday made clear he fully supported Mr Patten's proposals, after a meeting with visiting British Prime Minister John Major.

#### Article Warns Against Government Spending Plans

HK0203064294 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1008 GMT 27 Feb 94

[“Special article” by reporter Hong Wen (1738 5113): “Guard Against Hong Kong Government’s Move To ‘Spend Extravagantly’”]

[Text] Hong Kong, 27 Feb (ZHONGGUO TONGXUN SHE)—This Wednesday, the financial secretary is going to announce a fiscal budget, the third since Chris Patten took up the governorship of Hong Kong. Before this, the Hong Kong Government published the part of the budget relating to public expenditures, which shows that the total budgeted expenditures for the next fiscal year will reach as high as HK\$146 billion, representing a substantive increase of 6.3 percent over the current year’s budget, or breaking the principle that the increase in expenditures must not exceed the rate of economic growth which the Hong Kong Government has pursued all along. In view of this, many people in the community are worried whether the new fiscal budget to be introduced soon will further deviate from the traditional financial management principle of making both ends meet, and whether money will be spent extravagantly for reasons other than economic ones.

Judging from the newly released expenditure figures, this worry is completely reasonable. Although the authorities have argued insistently that the growth in budgeted expenditures has slowed obviously, Legislative Councillor Lau Wah-sum, a former financial official of the Hong Kong Government, argued that the authorities do not include the operational funds in the government expenditures because they attempt to “prevent” people from seeing the limitations of a 5 percent growth in expenditures.

As history unfolds, the original intention that government expenditure should not be higher than the local economic growth rate was intended to avoid stimulating inflation. However, after Chris Patten—a former politician—assumed the governorship, the first fiscal budget under his administration leadership “discarded the old and introduced the new,” setting a precedence of allowing the growth in public expenditure to be higher than the economic growth rate. What is noteworthy is that the forthcoming fiscal budget probably will push the proportion of public expenditure to another new height.

According to estimates by the Hong Kong General Chamber of Commerce, the Taxation Society, and people from accounting circles, the deficit in the new fiscal year will reach HK\$10 billion. The huge deficit will be due mainly to the sharp growth of many large infrastructural and capital expenditures. It is believed that the government will continue to run a deficit over the next four years. In other words, spending extravagantly in the good days of the transition period may mean bad days after 1997 and may lead the future special administrative region into dire straits.

Although the government seems to be running an increasing surplus, this sharp surplus increase—in all fairness—is derived from the unexpectedly “satisfactory” income from the sale of land and from the stock market boom. Unfortunately, it is impossible for this kind of income to remain steady and regular in the long run. Moreover, the policy of pushing up land prices leads directly to a sharp rise in property prices and to high inflation, making it indescribably difficult for mortgage-paying residents and leading to a daily decreasing quality of life.

The saying runs “one who does not look far ahead will find himself face to face with immediate trouble.” Faced with an uncertain political environment in the remaining years of the transition period, in view of the periodic fluctuations in economic development and the possible influence on Hong Kong’s economy that the British side’s obstinacy regarding the political system will have, the Hong Kong Government surely has the responsibility to consider the long-term interests of Hong Kong people, bear future needs in mind, stick to the policy of making ends meet, and retain a sufficient financial capability to cope with contingencies. Otherwise, the prosperity bought by spending extravagantly now may change into trouble for Hong Kong people in the future, once they encounter an adverse situation. In the case of welfarism, many Western countries have stumbled over this, so it is important for the Hong Kong Government to draw a lesson from this.

Generally speaking, sticking to the financial management tradition of making ends meet is an important factor contributing to the Hong Kong miracle. The Basic Law also provides that the fiscal budget of the special administrative region must uphold the principle of making ends meet. For this reason, there is a need to warn the Hong Kong Government that it should not play

a game of figures by formulating a deficit budget with expenditures much greater than income so as to mislead the community.

### XINHUA Official Discusses Setting Up 'Another Kitchen'

*HK2802135394 Hong Kong HSIN PAO in Chinese 25 Feb 94 p 2*

[“Special dispatch” by staff correspondent Liang Liming (2733 7787 2494): “Wang Fengchao Says China Sets Up Another Kitchen in Reaction to Britain’s Violation of the Agreement and Will Fully Implement the Basic Law in Hong Kong”]

[Text] Beijing, 25th (HSIN PAO)—Wang Fengchao, State Council Hong Kong and Macao Affairs Office deputy director, said this morning that when China mentioned “another kitchen” this was aimed against Chris Patten’s move to set up “another kitchen” because Britain violated the principles of the Joint Declaration and the Basic Law and China could only set up “another kitchen” so that Hong Kong can enjoy a high degree of autonomy, Hong Kong people ruling Hong Kong, and fully implement the Basic Law.

Wang Fengchao said he would try to visit Hong Kong this year if he had the time.

In his news conference given this morning to the media before a meeting with the Preliminary Work Committee Political Affairs Panel, Wang Fengchao, promoted from second department director to deputy director late last February, said that China would act according to the provisions of the Joint Declaration and the Basic Law, safeguard Hong Kong’s executive sovereignty together with Hong Kong people, and properly handle preparations in various areas. After 1997, a high degree of autonomy will be allowed according to the policy of one country, two systems to lay a foundation for Hong Kong people ruling Hong Kong.

He continued: China’s wish is cooperation with Britain in the latter period of transition and working for a stable transition and smooth political changeover according to the Basic Law.

However, he pointed out, as Britain has refused to cooperate politically with China, turned its back on the relationship of cooperation with China, persisted in its course, got itself in deeper and deeper, and ruined the basis of cooperation. Without an atmosphere of cooperation, it is difficult for work in other areas not to be affected. This is something China did not want to see and the responsibility lies entirely with Britain.

Regarding “setting up another kitchen,” Wang Fengchao said Britain did not recognize the agreements and understandings for the transition it made with China and set up another kitchen; because of this China could only “set up another kitchen” based on the blueprints outlined by the Joint Declaration and the Basic Law. On the current

division of labor within the Hong Kong and Macao Affairs Office, he said Deputy Director Wang Qiren has been transferred to the Bank of China as its president. There are now three directors. Director Lu Ping oversees general affairs; Chen Zhiying takes charge of the work of Sections 1 and 3, that is Hong Kong and Macao affairs. Wang himself is responsible for the work of Section 2 (that is Hong Kong political and social affairs) and the Hong Kong and Macao Affairs Research Desk. Wang said that he felt the heavy burden of responsibility after he became deputy director. Fortunately, he could see the direction clearly.

### Airport Negotiations ‘Unlikely’ for ‘Four Weeks’

*HK0103063894 Hong Kong HONGKONG STANDARD in English 1 Mar 94 p 4*

[By Michael Smith, Kiwi Lee and Jim Cheung]

[Text] Sino-British co-operation on the new airport project has suffered a further setback with negotiations unlikely to resume for another four weeks following the latest political row.

Senior government sources said yesterday they were not expecting China to agree to a meeting of the Sino-British Airport Committee for at least another four weeks.

The opinion conflicts with Chief Secretary Anson Chan’s statement last week that she hoped a date would be set for talks this week.

The future of airport talks was clouded last week when China accused Britain of slamming the door on talks on economic issues by pushing ahead with the second stage of Governor Chris Patten’s constitutional reform bill and releasing a White Paper on the 17 rounds of Sino-British political talks.

Sources said the Hong Kong government was expecting a month-long war of words between the two sides before tempers cooled enough for talks to resume.

The government would have to form a contingency plan in May or June this year for the additional injection of funds into the multibillion-dollar project if China continued to refuse to discuss the issue.

The latest injection of funds will carry airport works until July this year but an agreement is hoped for before that time.

A senior source said the airport would not be completed by mid-1997, but if works remained on schedule it should be finished about three months later.

Meanwhile, Meeting Point leader Fred Li said the government had agreed that the posts of the Airport Corporation Chairman and the Chief Executive should belong to two individuals.

A pro-democracy political faction urged the government to devise a stringent mechanism to control the charges and management of the future airport.

The Association for Democracy and People's Livelihood (ADPL) submitted its last-minute recommendations on the Airport Corporation Bill to Secretary for Economic Services Gordon Siu yesterday following the closure of a two-month consultation period on the bill.

ADPL vice-chairman Leung Kwong-cheong said the government should establish an effective system to regulate the charges of the new airport.

He also suggested one-third of the corporation's Board of Directors should be directly elected legislators.

#### Working Group Approves Loss of Right of Abode After 1997

HK0103063694 Hong Kong HONGKONG STANDARD  
in English 1 Mar 94 p 4

[By M Y Sung in Beijing]

[Text] Former Hong Kong permanent residents with foreign passports will lose the right of abode in the territory after 1997, but will be provided privileges of free entry and unconditional stay upon return.

China's working group on transitional matters, the Preliminary Working Committee (PWC), yesterday removed doubts over the right of abode after 1997 by issuing clear guidelines.

PWC members found ambiguity in the Basic Law over the definitions of permanent residence of the Special Administrative Region (SAR).

Under Article 24, section 1 of the Basic Law, Chinese citizens born in Hong Kong before or after the establishment of the SAR shall be permanent residents.

An argument arose whether Hong Kong-born Chinese who obtained foreign nationalities would be able to preserve their right of abode in Hong Kong according to Article 24 section 1. But the PWC ruled that the section would not be applicable to such people.

Speaking after the opening day of the PWC's public security group sessions in Beijing yesterday, the mainland group leader Wang Shuwen said people who obtained foreign nationalities were no longer regarded as Chinese citizens but as foreign citizens. Mr. Wang said Article 24, section 4 of the Basic Law was applicable to those who were no longer Chinese nationals but had returned to Hong Kong permanently. Section 4 set a requirement of seven years' continuous residence in Hong Kong for persons not of Chinese nationality to obtain the right of abode.

However, the SAR government would take a lenient attitude and would welcome returning migrants who

were ethnic Chinese and were formerly permanent residents of Hong Kong. They would be allowed to enter the territory without visa requirements and stay and work in Hong Kong as long as they liked.

Hong Kong group leader Rita Fan said the members agreed returnees would automatically have the right of entry and the right of unconditional stay in Hong Kong. But they would not have the right to vote, the right to stand for elections or the right to social welfare in Hong Kong according to the Basic Law unless they regained permanent residence status. No consensus has yet been reached in the PWC on the methods of defining the seven years' continuous residence in the territory to regain the right of abode.

Mr. Wang revealed that four different views were expressed:

- Seven years' residence in Hong Kong before moving to a foreign country should be counted;
- The seven years' residence should not be counted if the person moved away from the territory more than once;
- If a migrant returned to Hong Kong permanently within a certain period after the establishment of the SAR, seven years' residence in Hong Kong before emigration should be counted;
- Seven years should be counted from a new beginning when a migrant returned to Hong Kong.

Mr. Wang said it was a very complicated issue and further studies would be needed to reach a conclusion.

#### PWC Suggests Early Election of SAR Chief Executive

HK2702021294 Hong Kong HONGKONG STANDARD  
in English 26 Feb 94 p 1

[By M.Y. Sung in Beijing]

[Text] Beijing's advisory body on transitional issues has suggested that Hong Kong's chief executive heading the post-1997 administration be chosen 18 months early—in effect a shadow governor before the end of British rule. In deliberations in Beijing yesterday, the Preliminary Working Committee (PWC) said Hong Kong's most senior bureaucrat in the post-1997 government would be chosen in increasingly difficult circumstances of Sino-British non-co-operation. The Beijing-appointed think-tank preparing for the post-1997 administration ruled that the future chief executive of the first Special Administration Region (SAR) be selected under special arrangements earlier than had been envisaged by either side.

The PWC's government and administration group leader Leung Chun-ying said the first chief executive should be selected 18 months before the transfer of sovereignty. Mr Leung said there would be a chief executive selected before British rule of the territory

ended because it was impossible to select a person on 30 June 1997. He noted that there should be enough time for the chief executive-elect to prepare for the establishment of the SAR government. Mr Leung declined to comment on whether the selected person would affect the power of Britain's last colonial governor, Chris Patten.

Hong Kong PWC member Lau Siu-kai conceded it was inevitable that two power centres would be created through the early selection of a chief executive while the British-appointed governor was still in Hong Kong. Polarisation was inevitable but the duplication would also help to stabilise the confidence of the civil servants who would know earlier who they would be working for after the handover, Dr Lau said.

Under the Basic Law, the first SAR chief executive would be selected by 400-member Selection Committee by means of an election or consultation held in the territory. Dr Lau said the Basic Law gave an open interpretation to the formation of the Selection Committee and the method used to choose the chief executive. Therefore the Preparatory Committee set up in 1996 would have more flexibility in forming the Selection Committee and in deciding the method of selection.

#### **PWC 'Unhappy' With Government's Airport Financing Proposal**

*HK2802054894 Hong Kong SOUTH CHINA MORNING POST in English 28 Feb 94 p 3*

[By Doreen Cheung in Beijing]

[Text] The China-appointed Preliminary Working Committee said yesterday the Hong Kong Government's latest financing arrangements on the Chek Lap Kok airport and its associated rail link failed to address their concerns.

Speaking after a two-day session, Hong Kong co-convenor Nellie Fong Wong Kut-man said they were unhappy with the size of borrowings, since the level of \$23 billion had gone beyond the threshold of \$5 billion as stated in the Memorandum of Understanding on the airport projects. They urged the Government to count borrowings for the airport body and the airport railway as government debts.

Members also insisted that the land grant of the sites along the airport railway should be included in the annual land disposal programme, and a monitoring body to control construction costs should be set up, Mrs. Fong said.

Although the financing package failed to address their concerns, Mrs. Fong declined to say whether they had found the proposal unacceptable. She said they would like to see an early resumption of the airport experts' talks. Mrs. Fong said if the British/Hong Kong side maintained that debts for the airport body and the Mass Transit Railway Corporation should not be taken as

government borrowings, it would not be possible for both sides to make any progress on the issue.

Another working committee member, Tam Yiu-chung, said they were worried that the Government might borrow another \$5 billion on top of the \$23 billion loans for airport and rail link if they were not taken as government debts. The Hong Kong Government has said that the \$5 billion ceiling only applied to government borrowings and should not include borrowings by the two bodies.

The Chinese side co-convenor, Gao Shangquan, added that if the total amount of debts exceeded \$5 billion, it should then be subject to negotiations between both sides.

A source close to the Chinese side said Beijing would like to see Britain make clear the size of debts which had gone beyond the \$5 billion level and then formally seek Chinese approval for the extra borrowings.

Mr. Tam said they felt that the Government should be able to increase its cash injection in the airport projects given its strong fiscal reserves.

Mrs. Fong said the 58 hectares of land along the airport railway should not be granted in one go as requested by the British side. She said all land grants should be part of the Land Commission's land disposal programme. Mrs. Fong gave an assurance that China had already pledged to grant all 58 hectares along the airport railway before 1997.

Asked if the Government should revise estimates on the land sale income along the rail link, Mrs. Fong said it was not a big problem because all the income would go to the public funds regardless of its source. Referring to reports about abuse of funds in the Provisional Airport Authority, Mrs. Fong said members felt it was necessary to form a monitoring group to control costs as well as to ensure progress of the construction works. She said the Airport Consultative Committee had failed to control costs of the airport projects.

#### **Bugging Devices Detected in Offices of United Democrats**

*HK2702084294 Hong Kong SUNDAY HONGKONG STANDARD in English 27 Feb 94 p 1*

[By Abdul Turay]

[Text] The offices of Hong Kong's leading political party have been bugged. Legislators with the United Democrats of Hong Kong (UDHK) revealed yesterday that bugging devices had been detected during counter-surveillance sweeps of the party's offices. UDHK elected member for Kowloon West, James To, told the SUNDAY HONGKONG STANDARD that bugs had been found in the party's Kowloon headquarters and in the office of a UDHK legislator.

"When we set up our Kowloon office (on Nathan Road) near Prince Edward, we had a person go around with a field meter to try and detect any devices," he said. "The result was positive. That means there was a bug in the office. But we didn't hire anybody to remove the bug at that time since we had no secrets. When we tried the experiment on (legislator) Lau Chin-shek's office (in Tsim Sha Tsui), the pointer on the meter moved even more vigorously. That meant there were several devices in the room."

Mr Lau is director of the Christian Industrial Committee, an organisation that has been active in the pro-democracy movement since the 1970s. A mainland by birth, he has close ties with leading Chinese dissidents, including trade union leader Han Dongfang, who was last year refused permission to reenter China. Mr Lau said yesterday that he believed he had been followed both in Hong Kong and in China.

During the SUNDAY HONGKONG STANDARD's investigation into political bugging in Hong Kong, it was revealed that a bug had also been removed from a UDHK legislator's office in May last year. The latest development in political espionage in the territory follows last week's revelations that Australian spies had been hired by the British intelligence service MI6 to spy on Chinese political and commercial activities in Hong Kong. UDHK chairman Martin Lee admitted that security was a problem for the party. "At some stage last year we had a discussion because we were worried about security," he said. "I don't remember the details or what happened exactly."

Liberal Party legislator Selina Chow said her party did not take any special precautions beyond basic security measures. "It is difficult for us as a political organisation to be entirely full proof [as published]," she said. "We are conscious of possible problems but nothing has surfaced yet."

A recent investigation by the HONGKONG STANDARD revealed that espionage was becoming a serious problem for business and industry in Hong Kong. Listening devices have been found placed under desks, in telephones, light sockets, electrical plugs and in walls. Frank Knight, chairman of Asian Security and Investigation Services, said: "Certain organisations have the most superior equipment." He said such devices could pick up sounds 100 metres away. The signals could then be transmitted to a receiver outside the building. He said the point of a listening device placed in a wall need be no bigger than a pin head. Private investigation companies charge anything between \$3,000 and \$14,000 for counter-surveillance undertakings.

#### Hong Kong Political Affairs Group Meets in Beijing

OW2602190494 Beijing XINHUA Domestic Service in Chinese 1527 GMT 25 Feb 94

[By reporters Duanmu Laidi (4551 2606 0171 1229) and Gao Jianxin (7559 1696 2450)]

[Text] Beijing, 25 Feb (XINHUA)—The political affairs group of the preliminary working committee for the Preparatory Committee of the Hong Kong Special Administrative Region [SAR] held its fifth meeting here 24-25 February. The meeting discussed and studied the relationship between the administrative and legislative organs of the Hong Kong SAR, the method of forming the first government—including the method and timing of the election of the administrative commissioner and how to form the administrative council and its functions—and the establishment of a consultative committee and its functions after 1997.

After the meeting, the group's leaders Liang Zhenying and Xiao Weiyun gave briefings to reporters. Xiao Weiyun said: The administrative organ shall be the leading component of Hong Kong's future political system. The Basic Law provides explicit stipulations that the administrative and legislative organs should check and balance while coordinating with each other. Only by keeping the administrative organ as the leading component will the government operate efficiently, society remain stable, the economy prosper, and living standards be improved. This is the principle we will adhere to at all times. If anyone, by playing small or big tricks, tries to change the system which upholds the administrative organ's leading position before 1997, such changes will certainly be rescinded after 1 July 1997 because they are not in line with the interests of the people in Hong Kong and are not conducive to its long-term stability and prosperity.

Responding to a reporter's question on how China could "start a new stove," Xiao Weiyun said, Patten's "constitutional reform package" [zheng gai fang an—2398 2395 2455 2714] violates the Sino-British Joint Declaration, the Hong Kong Basic Law, and the agreements reached between China and Britain. Now Britain, doggedly going its own way, has submitted the package for adoption by the British Hong Kong Legislative Council. This means that the door to Sino-British negotiations has been shut by Britain's disruption. Needless to say, the Chinese Government will "start a new stove" according to the provisions of the Basic Law. To this end, the preliminary working committee will step up efforts and do solid work to ensure a smooth transition of power and the long-term stability and prosperity of Hong Kong.

#### PRC Officials Begin Toning Down Response to Patten Reforms

HK2702021394 Hong Kong EASTERN EXPRESS in English 26-27 Feb 94 p 1

[By Carol Pui-yee Lai]

[Text] After the initial fury from China over a decision by the Governor, Chris Patten, to put forward an unamended version of his political reform bill, senior Chinese officials yesterday began toning down the official response. However, Wang Fengchao, the deputy director of the Hong Kong and Macao Affairs Office, warned

Britain that "it is difficult to see how Sino-British co-operation will not be affected on other matters in the absence of a co-operative atmosphere". Wong Po-yan, the chairman of the airport consultative committee, said yesterday in Beijing he believed work on the new airport would be affected by the current political rift between Britain and China.

At a Preparatory Working Committee reception in Beijing, the Chinese Premier, Li Peng, urged members to speed up their work because they faced what he called a "heavier burden". Without naming Britain or Patten, Li said it should be recognized that China was no longer the China of 1840, but of 1994. The wheel of history will roll forward, not to be stopped," Li said. "China is enjoying political stability and economic prosperity."

Wang accused Britain of "going further and further" in undermining co-operation between the two countries. He said that although economic affairs should not be mixed with politics, it would be difficult to separate the two because China could not help "feeling emotional".

In Tokyo, Chinese Vice Premier, Zhu Rongji, told Japanese investors that there would be no change in Hong Kong's law and overall system after 1997. "In fact, it would be even more profitable for foreign investors after 1997," he said. Zhu, who is also governor of the central bank, was replying to a question on how he would allay fears of Japanese investors.

The softening of China's position failed to comfort Hong Kong investors, who are worried about possible interest rate rises. These concerns sent share prices plummeting as much as 5 per cent at one point in yesterday's trading, leaving the Hang Seng Index at 9,892—a fall of 540 points during the morning session. The market picked up later in the day, closing at 10,100 points, a fall of 3.2 per cent.

Zhang Junsheng, a deputy director of the New China News Agency (Xinhua), last night hit back angrily at the British government for its account of the Sino-British talks—released on Thursday—by revealing part of the Chinese version of the negotiations. Zhang said Britain had misled the Hong Kong public by not revealing details of an agreement between Britain and China made before the talks were opened on April 22. Zhang said that after Patten gazetted his political reform bill on March 22, Alastair Goodlad, the British Foreign Minister in charge of Hong Kong affairs, sent a message on March 30 to request talks with China. Jiang Enzhu, China's Deputy Foreign Minister, agreed conditionally to talks and sent a reply to Sir Robin McLaren, the British ambassador to Beijing, on April 7.

Jiang's letter said it was always China's position to resolve Sino-British discrepancies through negotiation. He said if the Hong Kong government gazetted the political reform bill too early it would in effect terminate the talks. Jiang wrote that negotiations should be in line with the Sino-British Joint Declaration, the Basic Law

and other related Sino-British agreements and the memorandum. He said the two countries would hold talks in order to guarantee a smooth transition in Hong Kong. He wrote that the talks should be conducted with only one Chinese and one British official present at the meetings. Other members should act as advisers or experts. Jiang said the Hong Kong government's tabling of the reform bill in the Legislative Council would terminate the talks.

#### XINHUA To Reveal Names of Regional Affairs Advisers

*HK2402125794 Hong Kong TA KUNG PAO in Chinese 18 Feb 94 p 2*

[Report: "Qin Wenjun Revealed That Name List of First Group of Hong Kong Regional Affairs Advisers Will Be Announced Early Next Month"]

[Text] The name list of the first batch of Hong Kong regional affairs advisers appointed by XINHUA Hong Kong Branch will be published early next month. The name list of the third batch of Hong Kong affairs advisers will also be made public at the same time. A ceremony to renew the tenure of the first batch of Hong Kong affairs advisers will be held. In addition, the authorities concerned are considering increasing the membership of the Preliminary Working Committee of the Preparatory Committee of the Hong Kong Special Administrative Region (PWC).

Qin Wenjun, deputy director of XINHUA Hong Kong Branch, attended a cocktail party held by the Hong Kong Association of Real Estate and Construction Industries yesterday to celebrate the Spring Festival. When asked about progress made in appointing "regional affairs advisers," Qin said that the Chinese side is stepping up the work, adding that the name list of about 300 regional affairs advisers will probably be published in early March. The Chinese side is also actively preparing for the appointment of the third batch of Hong Kong affairs advisers, including looking for suitable candidates and soliciting their opinions. He also said that the Chinese side is preparing the name list of the second batch of PWC members.

Commenting on the possibility that the British side will table the second part of the constitutional package to the Legislative Council (Legco), he emphasized that the Sino-British talks had been suspended unilaterally by the British side. Whether the constitutional package is submitted to Legco in part or in full amounts to the suspension of the talks, as was agreed by the two sides before the talks. The Chinese side did not expect this, but since this has happened, the British side must accept the consequences. He also said that if the British side publishes the minutes of the 17 rounds of talks, the Chinese side will follow suit.

When asked about support given by the Australian foreign minister to the Hong Kong governor's political reform package, Qin said: The Hong Kong issue is a

matter for both China and Britain before 1997 and is China's internal affair after 1997. This is a principle the Chinese side has solemnly told the world. No third party is qualified to make irresponsible remarks on the Hong Kong issue. He also reminded the public of the disparity between the remarks by the Australian prime minister and the foreign minister. On the human rights issue, he reiterated that the Asian region values democracy and knows how to expand democracy, including human rights, in line with its actual conditions.

Qin said he had no idea about the transfer of Zhou Nan, director of XINHUA Hong Kong Branch, to Beijing. Regarding the appointment of Wang Fengchao, director of the second department of the Hong Kong and Macao Affairs Office, as deputy director of the office, Qin said Wang is the right person for the post, because he is familiar with the situation in Hong Kong and Macao.

### Editorial Urges Britain To Stop 'Stalling' on Airport

HK1802145494 Hong Kong WEN WEI PO in Chinese  
14 Feb 94 p A3

[Editorial: "The Chinese Side Has Sincerity, So the British Side Must Not Erect Obstacles"]

[Text] The Chinese side recently agreed to resume the airport panel meeting to discuss the fourth airport financing plan proposed by the British side. This shows the Chinese side's sincerity. The Chinese side has been in favor of building a new airport in Hong Kong on the condition that the relevant financial package complies with the Memorandum of Understanding (MOU).

The meeting will help the two sides exchange information, study the feasibility of the newly proposed financial package, and ensure that the financial package agrees with the airport MOU. The Chinese side has not been given all the materials on the project or detailed data on the financial package and cannot afford to hire experts to carry out studies like the Hong Kong Government, which has great financial strength due to its enormous revenue. Given this situation, an airport panel meeting, at which the Chinese side can directly put questions to the British side and the latter can submit documents and materials on the feasibility studies, will certainly help judge whether the fourth financial package follows the principle of cost efficiency and whether it will leave a heavy financial burden to Hong Kong people.

Nevertheless, there are still quite a few unclear areas in the fourth financial package tabled by the Hong Kong Government, which places obstacles before the meeting.

After announcing that it had formulated the fourth airport financial package before the Spring Festival, the British side has launched a propaganda offensive over the last few days, repeatedly insisting that the debts of the Provisional Airport Authority (PAA) and the Mass Transit Railway (MTR) Corporation are not government debts and that, as the British Hong Kong authorities had

met the demands of the MOU by increasing investment, the Chinese side should reach an agreement with the British side on the "new financial package."

According to press reports, under the new financial package, the British will increase investment by HK\$15 billion [Hong Kong dollars], but the PAA and the MTR Corporation will still run up debts as high as HK\$26 billion, approximately six times the HK\$5 billion stipulated in the MOU. With such a large debt, how can the new financial package be said to have "complied with MOU requirements"?

The British side continued to falsely allege that the debts of the PAA and the MTR Corporation are not part of the government debt, but such an argument is untenable. Since the MOU has stipulated that the British Hong Kong Government is responsible for the airport's core projects, how can the British side deflect responsibility onto the two institutions? Again, the two institutions are wholly owned by the government, so their debts must be undertaken and paid by the future Special Administrative Region (SAR) government after 1997. Just as a senior Hong Kong Bank economic researcher pointed out: For the two institutions to take on loans is a matter concerning the Sino-British agreement. Without sufficient guarantee, the two institutions are unlikely to get the money they need. Even if banks agree to extend the loans, they would increase the annual interest rate to over 10 percent, because the two institutions would not be able to give security for their debts. Such a high interest rate would make it impossible for the borrowers to pay off their debts—though they might be willing to pay the high interest due to the lack of a sufficient guarantee—and accordingly would increase the banks' risk. The result would be that no banks would lend money to the two institutions. This analysis also reveals that borrowing money in the name of the MTR Corporation and the new Airport Corporation instead of the Hong Kong Government contravenes the principle of commercial operation and also deviates from the principle laid down in the MOU. If the two sides fail to reach agreement on the financial arrangements for the new airport, will the PAA and the MTR Corporation be able to get the money they need?

The British side described the fourth financial package as the best choice because of the increase in investment, termed it a generous gift for the Chinese side, and urged the Chinese side to rapidly accept the offer. This argument is not supported by facts. As long as one compares the sharp increase in the construction costs with the small and slow increase in the British Hong Kong Government's investment, one will realize that the most important concern is for the airport financial package to follow the principle of cost effectiveness. If construction costs are not capped and get out of control, the debt will continue to grow much faster than investment. In 1991, the construction costs of the new airport were HK\$98 billion. In March 1992, they increased to 120 billion, and today have reached 175 billion—and still no cap has been set on them. In the first airport financial package,

there was an "unexpected "callable equity [huo you fu zhai 2057 2589 6298 0280]" of HK\$21 billion and the combined debt of \$73 billion to be owed by the PAA and the MTR Corporation, totaling HK\$94 billion. A financial package with such huge debt was naturally opposed by the large numbers of Hong Kong people and the Chinese side. Then the British side, forced to change its tactics, put forward the second financial package in September 1992. In this package, the British side demanded that 50 percent of the proceeds from selling the 62 hectares of land above the airport railway due the SAR government be injected into the rail plan in an attempt to use the SAR government's money to help pay the debt. Even so, the debts of the PAA and the MTR Corporation were still as staggering as HK\$22.9 billion. As the British side's attempt to appropriate the land premium due the SAR government was strongly criticized, the British side tabled the third airport financial package in June 1993. In this financial package, the British side agreed to plow into the railway plan its 50 percent share of the land premium from the sale of the 62 hectares and to allocate HK\$5 billion from the Hong Kong government's financial surplus to symbolically increase the investment, but the debts of the PAA and the MTR Corporation soared to HK\$45 billion, nine times the figure set in the MOU. In the meantime, the British side was busy providing appropriations and parcelling away the airport project in an attempt to create a situation of high cost and low returns, and a huge debt in the future which China would be forced to take over. In view of this attempt, the Hong Kong and Macao Affairs Office made a firm four-point statement. Sensing that its coy plan was not going to work, Britain pulled another trick—the fourth package. From the zany growth of the airport's construction costs and the Hong Kong government's symbolic increase in funding, we can see that the most crucial point in the airport package is the principle of cost efficiency. If prices keep rising with no end in sight, the only thing that will happen is that actual debt will rise alongside the cost. This will happen despite any agreement between China and Britain on the financial arrangements. There is no guarantee that the debt will not keep increasing.

China has always supported the construction of a new airport to ensure and develop Hong Kong's prosperity and stability and has consistently insisted that the airport project observe the principles of cost efficiency and not saddling the future SAR government with a financial burden. If Britain had followed the provisions of the MOU, there would have been a financial arrangement agreement. Britain should have the sincerity to act in accordance with the MOU and stop its stalling tactics, for that is the only correct way to solve the airport problem.

**Editorial Hails Revelation of 'Truth' of Talks**  
**HK0103154494 Hong Kong TA KUNG PAO in Chinese**  
**1 Mar 94 p 2**

[Editorial: "The Whole Truth of Talks Has Come Out"]

[Text] Yesterday, a Chinese Foreign Ministry spokesman announced the truth of the main issues discussed at the Sino-British talks on Hong Kong's 1994 and 1995 electoral arrangements. This was a necessary response made at the request of members of the Hong Kong Special Administrative Region's [SAR] Preparatory Committee and people in different circles and was also aimed at the British side's unilateral publication of the White Paper last week, which distorts the contents of the talks. The publication of the truth about the talks is good for clarifying views and enables the facts to refute the British side's slanders and attacks.

After reading the full text published by the Chinese side, Hong Kong people will, naturally, understand that during the 17 rounds of talks in eight months last year, there was a strong contrast between the two sides' stands and attitudes: The Chinese side was sincere during consultations, took the overall interests into account, repeatedly expressed its views with good intentions, made flexible concessions, and showed extreme forbearance. Whereas the British side acted obstinately and shamelessly; was rude, unreasonable, and overbearing; raised side issues; and deliberately undermined the talks. We can say that the concessions the Chinese side made at the negotiating table exceeded the expectations of many Hong Kong people; apart from this, the Chinese side was ready to enter into further consultations and seek further mutual understanding and mutual accommodation but the British side finally took action which caused a breakdown in the talks. Despite all this, the Chinese side still maintained the tolerance of a large and proud country, kept its former commitments, and did not publish the British side's inglorious record at the talks. However, the British side was the first to violate the understanding of secrecy between the two sides, so that the Chinese side had no alternative but to publish the main points which had been distorted by the British side.

Reviewing the talks, their whole process seems to appear before us. Of course, this makes it easier to see more clearly that the British side was bent on confrontation and had no sincerity on reaching an agreement with the Chinese side through negotiations. Originally, both sides had agreed to proceed with the talks on the basis of the "three conformities," namely conformity with the Sino-British Joint Declaration, the Basic Law, and Sino-British understandings. From the very beginning of the talks, the British side resorted to the tactic of confirming the "three conformities" principle in abstract and negating it in reality. As a result, the talks were delayed and could not proceed on a correct track. The White Paper published by the British side last week mentions that the British side evaded the principles confirmed by the Chinese side according to the "three conformities." "Annex One" to the Chinese side's full text published yesterday fully lists the contents of the eight-point principles confirmed. Chinese and foreign personalities can see that these principles are the original meaning of the "three conformities." Why did the British side say that it was difficult to confirm? It did this because it wanted to

persist in Chris Patten's "three violations" program, having no sincerity at all in the talks!

The British side's White Paper uses the elections of functional constituencies to attack the Chinese side, saying that the elections of functional constituencies "can be manipulated by others" and "may lead to corruption and irregularities." As a matter of fact, the elections of functional constituencies were invented by the British side and they recommended them to the Chinese side. Long ago, both sides had already reached an agreement and understanding on the nature and electoral methods of functional constituencies. The problem was that the British side wanted to break the agreement and change the elections to disguised direct elections, therefore it tried to play down the importance of functional constituencies' elections at all costs. Unquestionably, functional constituencies' elections have their limitations but, as a transitional means under the principle of gradual and orderly progress, they will play a positive role. What was published by the Chinese side yesterday provides strict logical reasoning in refuting the British side's slanders on functional constituencies' elections and the participants. What was published by the Chinese side points out: The British side's accusation is utterly groundless and does not respect voters or the incumbent legislative councilors elected by functional constituencies.

The main topic of the 17th round of Sino-British talks was on Hong Kong's 1994 and 1995 electoral arrangements. However, from the very beginning of the talks, the British side insisted on talking about three issues purely within the category of Chinese sovereignty, including the personnel arrangements for the Hong Kong SAR's Preparatory Committee. What was published yesterday clarifies the Chinese side's stand on these questions. Hong Kong people also know that from the beginning of the talks, the British side talked glibly about setting what it calls the objective criteria for boarding the "through train." Logically speaking, there must be convergence of rails before a through train can pass. As

Hong Kong people put it vividly: There must be a "through train" before passengers can board it." Furthermore, many Hong Kong people pointed out long ago that the definition of qualifications for "boarding the through train" completely falls within the category of Chinese sovereignty and so does not require any consultations with the British side at all. But the British side wanted to talk about the so-called "criteria" for "boarding the through train." What was published yesterday reveals that the Chinese side even made major concessions on this and provided four-point explanations but the British side did not accept and insisted that a pledging method should be introduced to replace the appointment of members for the SAR's Preparatory Committee. As a matter of fact, it wants to completely deprive the Preparatory Committee of its appointment right—a right which gives expression to Chinese sovereignty.

The publication of the truth about the talks suggests to Hong Kong citizens and the entire Chinese people that these colonialists who are moving toward their doomsday are ferociously and constantly making harsh demands. If this can be tolerated, what cannot?

#### Correction to Editorial Denounces 'Fraud'

HK2802032994

The following correction pertains to the item headlined "Editorial Denounces Patten's 'Fraud'" published in the 25 February China DAILY REPORT, page 87: Column one, first full paragraph, last sentence make read: ....they should bear. [new graf]

As we have pointed out, the problem did not lie in the point of how the Legislative Council—the consultative organ of the Hong Kong governor—would discuss Patten's constitutional package. From the very beginning, the overt and covert activities around Patten's package constituted a sheer fraud, from the very beginning until the end.

Chris Patten came... (supplying omitted paragraph)

**END OF  
FICHE**

**DATE FILMED**

3 MAR 1994

